



FY 2012-2013
Community Development Block Grant
(CDBG)

Contractual Community Services (CCS)
Community Development Improvement Construction & Non-
Construction (CDI & CDI-NC)
&
Emergency Solutions Grant (ESG)

General Information and Application
Instructions

Release Date: Monday, January 30, 2012

Required Workshop Attendance: Friday, February 3, 2012 9:00 am

Applications Due: Monday, February 27, 2012, 5:00 P.M.

Only Hand-Delivered Applications Submitted to a
Grants Program Analyst will be accepted at the following location:

City of San Jose, Department of Housing
CDBG Grants Program
200 East Santa Clara Street, 12th Floor Tower

All questions must be e-mailed to: HousingGrantsAdmin@sanjoseca.gov

To obtain an electronic copy of this application packet, please go to the following:
<http://www.sjhousing.org/>

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General Information

Introduction

The following provides general information and instructions for applying for funds from the City of San Jose for Contractual Community Services (CCS) and Community Development Improvement Non-Construction (CDI-NC) projects to be implemented in fiscal year 2012-2013. This document contains the requirements that all applicants, regardless of project type, must satisfy and/or complete. All applicants must also utilize the information and worksheets in Appendices A-H. The City intends to make this document along with all related Attachments available on its WebGrants Grants Management System by February 3, 2012, 5:00 pm.

The specific project types for which funds may be solicited through this RFP are summarized in the charts below and in the Funding Priority Development Process section of this document. Detailed descriptions of the scope and application requirements for each of the project types are in Appendices A1-6. Projects will be funded through the City's Community Development Block Grant (CDBG) and Emergency Solutions Grant (ESG).

Contractual Community Service (CCS) Projects

Strategy	Max. Total Funding Allocation	Max. # of Awards	Funding Source	Location of Project Specific Instructions
Foreclosure Response	\$300,000	2	CDBG	Appendix A-1
Homelessness – Outreach Program	\$1,067,000	2	CDBG & ESG	Appendix A-2
Homelessness – Families & Youth		2	CDBG & ESG	Appendix A-2
Homelessness – HMIS	\$90,000	1	ESG	Appendix A-3
Senior Services	\$200,000*	3	CDBG	Appendix A-4

* If additional funds are identified a separate process allocation process will be used.

Community Development Improvement Construction (CDI) Non-Construction (CDI-NC) Projects

Strategy	Max. Total Funding Allocation	Max. # of Awards	Funding Source	Location of Project Specific Instructions
Housing – Minor Repair Services	\$100,000	1-2	CDBG	Appendix A-5
Housing – Emergency Repair Services	\$300,000	1-2	CDBG	Appendix A-5
Neighborhood Clean-Up	\$200,000	2	CDBG	Appendix A-6

To the extent that the requested funding exceeds the amount available, the City has the right to work with applicants chosen for funding to decrease their project's budget. If it is determined that the City will receive additional CDBG or ESG funding, the City has the right to increase one or more project type's maximum allocation amount.

Funded programs are expected to have an outcome oriented approach with a strong emphasis on concrete, measurable results. It will not be enough to simply say that activities will be conducted. Rather, funded agencies will be expected to demonstrate the long-term impact these activities have on their clients or targeted area.

As described in detail below, the City does not intend to make many small awards to a broad array of organizations providing different services. Rather, it is expected to make a limited number of awards to individual agencies or consortium of agencies that can provide the range of requested services under each project type. If a single agency feels that it can handle all of the applicable service provision responsibilities, it is eligible to apply alone. However, partnering with other agencies to form consortiums or developing linkages or referrals to existing programs is highly encouraged.

All federal regulations referenced in this packet are available from the City of San Jose, Housing Department's Grants Program:

City of San José
Housing Department
Grants Program
200 East Santa Clara Street, 12th Floor
San José, CA 95113

The following documents may also be accessed on-line:

24 CFR Part 570 (CDBG specific):

<http://www.hud.gov/offices/cpd/communitydevelopment/rulesandregs/regulations/>

24 CFR Part 576 (ESG specific):

http://www.access.gpo.gov/nara/cfr/waisidx_06/24cfr576_06.html

24 CFR Part 84

http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_36446.doc

A-122: <http://clinton4.nara.gov/textonly/OMB/circulars/a122/a122.html>

A-21: <http://clinton4.nara.gov/textonly/OMB/circulars/a021/a021.html>

A-133: <http://clinton4.nara.gov/textonly/OMB/circulars/a133/a133.html>

Funding Availability and Categories

The Community Development Block Grant (CDBG) and Emergency Solutions Grant (ESG) are federally-funded programs administered by the City of San Jose (City). It is anticipated that for fiscal year 2012-13 the City will receive an estimated \$7,840,284 million in CDBG funds and \$441,685 in ESG funds. The CDBG allocation will be combined with approximately \$600,000 in program income from previous years, while the ESG allocation will be combined with approximately \$248,315 in fiscal year 2011-2012 ESG II funds. In addition to these federal dollars, the City is working to identify \$200,000 additional funds to allocate to eligible projects as described below. If these funds are identified, they will be allocated to agencies in a separate process.

The City of San José has two major objectives for its Federally-funded CDBG Program. These are to enhance traditional City functions by providing improved services and facilities for low- and moderate-income residents and to eliminate and prevent slums and blight. The CDBG Program has two major funding categories contained in this RFP:

- Contractual Community Services or Public Services (CCS): This funding category is allocated up to 15% of the City's total grant allocation.
- Community Development Improvements (CDI): This funding category is allocated 65% of the City's total grant for physical improvement projects, housing rehabilitation activities, and economic development activities that will either further the City's effort to prevent slums and blight, or serve low- and moderate-income residents.

The federal government requires that all entitlement jurisdictions, such as the City of San Jose, that receive Emergency Solution Grant funds use the following allocation guidelines:

- Street Outreach and Emergency Shelter Expenditures: The expenditures from each year's grant allocation cannot exceed the greater of:
 - 60% of that federal fiscal year's total ESG grant award
 - The amount of FY 2010 grant funds committed to homeless assistance activities

Funding Priority Development Process

As a result of the anticipated cuts in federal funding, the City of San Jose underwent an extensive process to identify City priorities and develop a new strategy for an impactful expenditure of the limited funds under this RFP. This process included a review of potential funding priorities and outreach to the public and the City Council.

Because the annual budgeting of the City's federal community service funds is accomplished through the Consolidated Plan process, the community input received

during the preparation of the 2010-15 Consolidated Plan were also taken into consideration. The Plan identified the following community priorities:

- Assist in the creation and preservation of affordable housing for lower-income and special needs households;
- Support activities to end homelessness;
- Support activities that provide basic services, eliminate blight, and/or strengthen neighborhoods;
- Expand economic opportunities for low-income households;
- Promote fair housing choice; and
- Promote environmental sustainability.

Additionally, the City is required to create an implementation plan and address the barriers identified in the federally-required Analysis to Fair Housing Choice (AFHC).

Based on the results of the priority setting process, the City determined it would utilize the FY 2012 CDBG funds for the following City priorities:

- A place-based, neighborhood-focused strategy for the CDBG Community Development Improvement (CDI) funds; and
- A narrowly focused use of the Public Services funds on adopted City priorities, some of which will also reinforce the place-based investment strategy for CDI funds.

Place-Based, Neighborhood-Focused Strategy

San Jose has been challenged with addressing the needs of its neighborhoods given current budget realities. A more coordinated effort is needed to provide services to its neighborhoods, which in turn can reduce the demand on future City budgets.

The underlying framework of this new place-based neighborhood-focused strategy is based on adopted City Council policy that will guide the changes to CDBG and the implementation of this strategy:

- Direct funding to City priorities with a specific focus on ensuring clean and safe neighborhoods with engaged residents
- Stabilize neighborhoods in crisis by adopting a place based approach, concentrating resources in support of neighborhoods in need
- Reduce administrative costs and improve efficiency using technology
- Have an exit strategy

The initial neighborhoods, selected on the basis of demonstrated need, neighborhood strength and assets and opportunity for change, and existing strong partnerships are:

- Santee/McKinley in partnership with the Franklin McKinley Children's Initiative,
- Mayfair in partnership with Somos Mayfair, and

- Five Wounds/Brookwood Terrace in partnership with CommUniverCity (with the potential for expansion as CommUniverCity expands to other Downtown neighborhoods)

Community Development Improvement Non-Construction (CDI-NC) Investment Strategy

The primary outcome of the Place-Based Strategy is to create clean and safe communities in the three neighborhoods identified above. While the vast majority of the City's Community Development Improvement (CDI) funds will go towards construction projects, approximately \$200,000 will be set up to implement a neighborhood clean-up program. This program will address hot spots in blighted areas of the place-based strategy neighborhoods.

Community Development Improvement (CDI) Investment Strategy

The housing emergency and minor repairs program funded through this RFP will be available Citywide. Services provided under the emergency home repair category is intended to address homeowners' immediate health and safety needs. The minor repair category is intended to address eminent health and safety needs, and provide accessibility and mobility improvements for low-income homeowners, targeting seniors and persons with disabilities.

Public Services Investment Strategy

Up to 15% of the annual CDBG entitlement grant can be used for Public Services. For FY 2012-12 the City will be limiting the number of activities that will receive CDBG funds.

The four strategic goals for Public Service funds being contained in this RFP are:

- Strategy 1: Foreclosure Response - implement foreclosure response efforts including foreclosure prevention, intervention, and referral services to homeowners and renters impacted by foreclosure.
- Strategy 2: Homelessness –
 - Full-service multi-disciplinary outreach program(s) that may include outreach workers, shelter beds, and case management services, deposit/rental assistance to outreach and engage homeless individuals living on the streets and in encampments
 - Full-service program(s) for homeless families – including victims of domestic violence – and youth including shelter beds, case management, and deposit/rental assistance.
- Strategy 3: Senior Services– isolation prevention and reduction activities for seniors including door-to-door transportation, home delivered meals, and other activities.

Emergency Solutions Grant (ESG) Priorities

The City's FY 2012-13 ESG funds and FY 2011-12 ESG II funds will be used to enhance projects under the homelessness priorities proposed above for the CDBG program: a full-service multi-disciplinary outreach program; and full-service programs for homeless families and youth. The City's ESG funds will also be used to fund activities related to the administration of the Homeless Management Information System (HMIS).

General Eligibility Requirements

Minimum Entry Criteria

At a minimum, all applicants must meet the following threshold requirements:

- Be a public entity or a non-profit organization 501 (c)(3);
- Projects seeking CDBG funding must address one of the three “national objectives” (see below for details);
- The activity proposed must qualify under one of the funding priority projects as summarized below, and detailed in Appendices A1-6;
- Projects seeking CDBG funding must have a minimum leverage of 20% of committed or pending funds from other funding sources, while ESG funding must be matched dollar for dollar by other public or private funds; and
- Have a strong emphasis on concrete measurable outcomes.

In addition to the basic threshold requirements listed above, all non-profit organizations applying for funding must meet the following Organizational Requirements:

1. Governing Body

Governing of the organization should be vested in a responsible and active voluntary Board that meets at least quarterly and establishes and enforces policies. The Board should be large enough and structured as to be representative of the community it serves.

2. Personnel

The organization must provide for adequate administration of the program to ensure the delivery of services. One person should be designated as the director of the organization. If the project is awarded funding, the organization must provide a copy of its Personnel Policies and Procedures, which must include policies prohibiting discrimination, conflict of interest, grievance procedures, and affirmative hiring practices.

3. Non-Discrimination

Each organization receiving funds from the City is required to assure the City that it will conduct its business in compliance with the non-discrimination requirements of the City, State, and Federal governments, as applicable.

4. Accounting

Each organization shall maintain accounting records which are in accordance with generally accepted accounting practices, such as those described in OMB Circular A-122, "Cost Principles for Non-Profit Organizations," or A-21, "Cost Principles for Educational Institutions," as applicable, or in the American Institute of Certified Public Accountants (AICPA) "Accounting and Financial Reporting for Voluntary Health and Welfare Organizations". If the organization receives in aggregate, \$500,000 or more in federal funds, the organizations must also comply with the administrative requirements of OMB Circular A-133, "Audits of Institutions of Higher Education and Other Non-Profit Organizations." OMB Circulars A-133 and A-122 are available for review in at the City of San Jose, Housing Department, Grants Unit, 200 East Santa Clara Street-12th Floor Tower, San Jose, CA or online at:

<http://clinton4.nara.gov/textonly/OMB/circulars/a133/a133.html> and
<http://clinton4.nara.gov/textonly/OMB/circulars/a122/a122.html>

5. Audits

Funded projects will be required to have an independent audit performed. The most recent audit is required at time of application. Thereafter, the agency annual audit will need to be submitted within 150 days of the end of the organization's fiscal year. Audit fees are reimbursable under an approved cost allocation plan. Agencies with federal expenditures in excess of \$500,000 are subject to conformance to OMB Circular A-133.

Audited Financial Statements

Applicants must submit the agency's Independent Audits for the last two years, including any Management Letters. If the agency fiscal year ends after June 30, contact the Grants Program for additional instructions. Further, agencies must submit their Unaudited Interim Financial Statements ending December 31, 2011.

Insurance Requirements

Applicant must adhere to the insurance requirements as indicated in Attachment C, Insurance Requirements.

Application Supporting Documents Required (on compact disc): Nonprofit organizations must have and submit the following documents with their application packet:

- Board Approval to submit application and authorization to Sign (Board Certified & on Agency Letterhead)

- Client Intake Packet and Eligibility Criteria (respondents to the Neighborhood Clean-up RFP are exempt from this requirement)
- Job descriptions (for staff listed in CDBG budget only)
- Staff resumes (for filled positions)
- Outcome Measurement Form
- 2 Most Recent Annual Agency Financial Audits and Management Letters and December 31, 2011 Interim Financial Statement
- Program Outreach / Marketing Materials
- Client Fee / Donation Policy
- Most current Proof of Liability Insurance

Permanent Agency File Documents Required (on compact disc):

- Articles of Incorporation
- By-Laws
- Policy & Procedures Manual (include policies prohibiting discrimination, grievance procedures, and conflict of interest)
- Resumé of chief administrator and chief fiscal officers
- Organizational Chart
- List of Board of Directors (include occupation & years of service as a board member)
- Letter from IRS for 501(C)(3) Tax Exempt Status
- Letter from the Franchise Tax Board for Tax Exempt Status

Above “Permanent Agency File” requirements are applicable to all new applicants. Agencies currently funded in FY 11-12 and applying for funding in FY 12-13 must submit any updates to the above listed documents. To verify documentation on file please contact the Grants Program.

Spending Conditions

CDBG and ESG funds allocated for projects to be implemented in FY 2012-2013 cannot be spent or obligated prior to the following:

- Approval of the San José City Council
- Approval of the City’s application by the US Department of Housing and Urban Development (HUD)
- Start of the 2012-2013 Program Year which begins on July 1, 2012
- HUD approval of a Release of Funds based upon completion of a Federal Environmental Review (NEPA)

In addition to the above requirements, all funded agencies will be required to submit proof of insurance to receive funds. Refer to the Insurance Requirements for Funding CCS and CDI Construction and Non-Construction Projects.

General Project Requirements

In addition to the City's funding priorities outlined in this document, funded projects will be required to conform to specific Federal Regulations for the CDBG and/or ESG programs.

National Objectives for CDBG Projects

All CDBG funded projects must meet one of the following National Objectives:

- Benefit low- and moderate-income persons
- Aid in the prevention or elimination of slums or blight
- Meet an urgent community development need (rarely used)

A current income limits table used to determine low- and moderate-income clients is provided below. Projects must meet the eligibility requirements outlined in 24 CFR Part 570 – CDBG.

See Attachment A for additional details on the National Objectives.

General ESG Eligible Activities

In general, ESG funds can be used to support costs associated with the following components:

- **Street Outreach:** funds may cover costs related to essential services for unsheltered persons (including emergency health or mental health care, engagement, case management, and services for special populations).
- **Emergency Shelter:** funds may be used for the renovation of emergency shelter facilities and the operation of those facilities, as well as services for the residents (including case management, child care, education, employment assistance and job training, legal, mental health, substance abuse treatment, transportation, and services for special populations).
- **Homelessness Prevention and Rapid Re-Housing:** both components fund housing relocation and stabilization services (including rental application fees, security deposits, utility deposits or payments, last month's rent and housing search and placement activities). Funds may also be used for short- or medium-term rental assistance for those who are at-risk of becoming homeless or transitioning to stable housing.
- **HMIS:** funds may be used to pay the costs for contributing data to the HMIS designated by the Continuum of Care for the area. Eligible activities include (computer hardware, software, or equipment, technical support, office space, salaries of operators, staff training costs, and participation fees).

Eligible clients for ESG assistance are homeless individuals or families and individuals or families who are at-risk of homelessness and have an annual income below 30 percent of the area’s median family income.

Projects must meet the eligibility requirements outlined in 24 CFR Part 576:
http://www.access.gpo.gov/nara/cfr/waisidx_06/24cfr576_06.html

See Attachment B for additional details on the eligibility requirements for ESG.

Income Limits Table for San José

The following table provides Income Limits as a Percentage of Median Income for 2012:

No. of Persons in Household	Extremely-Low (30% of Median)	Very Low-Income (50% of Median)	Low-Income (80% of Median)
1	\$22,050	\$36,750	\$53,000
2	\$25,000	\$42,000	\$60,600
3	\$28,350	\$47,250	\$68,150
4	\$31,500	\$52,500	\$75,700
5	\$34,050	\$56,700	\$81,800
6	\$36,550	\$60,900	\$87,850
7	\$39,100	\$65,100	\$93,900
8	\$41,600	\$69,300	\$99,950

Application Timeline and Process

Timeline for Funding Activities

Activity	Date
Release of RFP for FY 2012 - 2013 CDBG & ESG funding	January 30, 2012, 12:00 Noon
Mandatory Workshop	February 3, 2012 9:00 A.M. – 12:00 Noon San Jose City Hall Council Chambers 200 E. Santa Clara St. San Jose, CA 95113
Written questions about the RFP accepted by the Housing Department: Questions must be e-mailed to: HousingGrantsAdmin@sanjoseca.gov The Housing Department intends to post answers to written questions every few days at: http://www.sjhousing.org/	January 30, 2012 - February 13, 2012, 12:00 Noon
Deadline to file written questions about the RFPs	February 13, 2012, 12:00 Noon
Final responses to written questions published at http://www.sjhousing.org/	February 14, 2012, 5:00 P.M.
Complete RFP responses due	February 27, 2012 5:00 p.m. San Jose City Hall 12 th Floor, Room 1254
Panel interviews of RFP respondents	March 12-16 (Times/Locations TBA)
RFP responder agencies notified of funding recommendations	March 27, 2012
Release of draft ConPlan including funding recommendations at: http://www.sjhousing.org/	March 29, 2012, 12:00 Noon
Initial City Council hearing on the ConPlan, including the funding recommendations	April 3, 2012 San Jose City Hall Council Chambers
Deadline for RSP responder agencies to file formal written protests to the Director of the Housing Department	April 11, 2012
ConPlan hearing before the Housing and Community Development Advisory Commission (HCDAC)	April 12, 2012, 5:45 p.m. San Jose City Hall, Wing Rooms 118 & 119
Final hearing before the City Council & approval of the ConPlan	May 1, 2012 San Jose City Hall Council Chambers
Contract Development Workshop	May 4, 2012 (Time/Location TBA)
Approved ConPlan due to HUD	May, 15 2012
Contracts completed & executed	June 30, 2012

Workshops and Technical Assistance

It is the City's goal to assist applicants in preparing competitive applications. Technical assistance is offered by the Grants Program through an application workshop and timely responses to written applicant questions. Respondents will also be invited to meet with the evaluation panel to provide a brief presentation and answer questions.

Application Workshop

Grants Program staff will conduct an application workshop at the following time and location to assist all RFP respondents in completing the application and required forms, and enhance their understanding of applicable requirements and project evaluation criteria:

Friday, February 3, 2012

9:00 am to 12:00 Noon

City of San Jose Council Chambers

200 E. Santa Clara St.

San Jose, CA 95113

To register, e-mail: HousingGrantsAdmin@sanjoseca.gov

Attendance at the workshop is MANDATORY for all RFP respondents. Failure to attend the workshop will DISQUALIFY an agency from being considered for funding under this RFP.

To encourage a fair process individual / telephone consultations will not be accepted.

Applicants should e-mail their questions to: HousingGrantsAdmin@sanjoseca.gov

Responses to questions submitted through email will be posted on the Housing Department's website at: <http://www.sjhousing.org/>

Evaluation Panel Presentations and Interviews

All agencies that submit a complete response to this RFP will be invited to make a brief presentation to the applicable project evaluation panel and answer panelist questions. Respondent presentations may last no longer than 5 minutes, with an additional 30 minutes allotted for panelist questions. Respondents will be restricted to bringing only the following three agency staff to the evaluation interviews: 1) the Agency's Executive Director or equivalent position; 2) the manager of the specific project for which funding is being sought; and 3) the Agency's Fiscal Officer or equivalent position.

RFP Application Clarification

Prior to submission, respondents should carefully check their applications to ensure that all of the responses to questions are complete and all attachments are included. At the time of application submission, please allow at least 30 minutes for a review of the application. Agencies are strongly encouraged to submit their application early in the day. Applications with missing documentation will not be accepted.

No grace period will be allowed for missing components to be submitted.

Respondents will not be allowed to submit missing documentation after the February 27, 2012 5:00 pm application deadline.

At the time of submission, applications will be rejected for the following reasons:

- Submitted after the deadline or e-mailed, postmarked, or faxed rather than submitted in person
- Incomplete application
- Unacceptable audit and interim financial statements.

NOTE: Supplemental information necessary for clarification will only be accepted if it is requested by staff.

Audit Review Process

In conjunction with the application evaluation, Grants Program staff will perform a review and analysis of the responding agencies' audited financial statements. Applicants may be disqualified from funding consideration if major concerns are raised through a review of the agency's financial capacity. The financial review will include an evaluation of the:

- The agency's Audit Report to ensure it was prepared by a certified accounting firm and according to generally accepted accounting principles
- Completeness of the Audit Report
- Liquidity, Safety and Efficiency Ratios
- Ability to Service Long Term Debt
- Auditor Opinion (Qualified, Unqualified, Threat of a Going Concern)
- Any "Reportable Conditions" or "Material Weaknesses" in the agency's audits
- The agency's response to any Management Letters and/or Reportable Conditions

Additional details on elements of the financial review are described in Attachment E.

The Director may approve exceptions to this policy under warranted circumstances when it is determined that the service provided meets a critical community need. If an exception is warranted, the agency may be required to: 1) submit a detailed explanation of the identified deficiency or deficiencies and a realistic plan to resolve them; 2) provide

complete documentation with each reimbursement request; and 3) agree to additional monitoring visits.

Past Performance

The Grants Program will conduct an evaluation of the past performance of agencies that it has previously funded to determine whether their performance was satisfactory. The results of these evaluations will be scored on a scale from +10 to -10, with agencies that have not been previously funded receiving a score of 0. Based on their status as of January 30, 2012, agencies will have two points added or deducted to their final score for their performance on each of the following grant activities:

- Timeliness of draw requests
- Quality of draw requests (adequate paperwork, etc.)
- Quarterly performance reports
- Cooperation in clearing/participating in audits
- Responsiveness to staff questions and information requests

Appeals Process

RFP respondents will be advised in writing if their application is not eligible for funding, including the reason(s) that render the project ineligible. Respondents will also be notified of the amount of funding being recommended for their project. Applicants may appeal either of these decisions, in writing, to the Director of the Housing Department at:

City of San Jose, Housing Department
200 East Santa Clara Street, 12th Floor Tower
San Jose, CA 95113

The deadline for submitting an appeal letter is April 11, 2012. In addition to submitting an appeal letter, applicants may attend the public hearings noted in the timeline above. The Director will respond to all appeals within five working days of the close of the appeals process. The Director's decision is final and there is no further appeal.

Application Completion Requirements for All Respondents

To apply for funds, please hand deliver one (1) unstapled original and five (5) stapled copies of your application to the City of San Jose, Housing Department, 200 E. Santa Clara Street, 12th Floor Tower by **February 27, 2012 5:00 P.M.** Any application that is late, fails to meet eligibility requirements, or fails to follow submission instructions will not be considered for funding. Only one (1) copy of the "Agency Documents" as listed in the Application Checklist needs to be submitted. If your agency is applying for more than one project, a separate and complete application must be submitted for each project.

All applications must be in the following format:

- Times New Roman, 12-pt. font.
- Application is limited to 10 pages, not including Appendices, additional required information, and other requirements as noted.
- One –inch margins
- Label each page (except for the Cover Sheet) with a header in the upper right corner (include the agency name on the first line and the title of the project on the second line)
- Include page numbers on all pages within the narrative response section of the application.
- Do not add additional packaging materials such as tabs, bindings, or dividers.

Please note that each project type has specific questions and requirements that must be fulfilled for the RFP response to be considered complete and eligible. The scope and specific requirements for each project type are described in Appendices A1-6. Please refer to the chart on Page 4 of this document for the specific Appendix location of the project type for which you are submitting a response.

RFP Application Checklist

Please see Appendix B for the Application Checklist. Check each box as appropriate to indicate that the items are attached in your RFP response. Your RFP should be organized and submitted in the order shown on the checklist.

Permanent Agency File Documents: Please indicate if the listed documents are on file or if an update is being submitted. The resumes, organizational chart, list of Board of Directors, and Board meeting dates must be updated on an annual basis.

Section 1: Cover Sheet (Respondent Information)

Please see Appendix C for the required Cover Sheet. The Cover Sheet must be completed accurately and signed by the applicant's authorized representative. The Grants Program will use e-mail to correspond with applicants. If you do not have email, or if it is not a reliable method of communication for you, indicate so by placing N/A in the space provided.

A DUNS number is a requirement for any organization that receives Federal assistance. If an organization does not have one, it should call the DUNS number request line at 1-866-705-5711 to obtain a number. The process is free and takes about ten minutes. More information can be found at:

http://www.whitehouse.gov/omb/grants/duns_num_guide.pdf

Section 2: Project Summary

Label this section “Section 2: Project Summary”. This section is included in your ten page limit. In this section provide a summary containing highlights of your proposal’s approach. Please describe briefly the structure of your program and include the names of all participating agencies and a brief description of relevant agency experience.

Section 3: Program Description

Label this section: “Section 3: Program Description.” This section is included in your ten page limit. Refer to the Program Description section of your specific project’s response content in Appendices A1-6 and answer each question.

Section 4: Organizational Capacity and Experience

Label this section: “Section 4: Organizational Capacity and Experience.” This section is included in your ten page limit. Refer to the Organizational Capacity and Experience section of your specific project’s response content in Appendices A1-6 and answer each question.

Section 5: Numerical Goals and Outcomes

Label this section: “Section 5: Numerical Goals and Outcomes.” This section is NOT included in your ten page limit. Refer to Appendix D and respond to each question. Before completing the Numeric Goals Plan in the application, please read the “Outcome Performance Measurement System” section in Attachment F.

Section 6: Project Budget

Label this section: “Section 6: Project Budget.” This section is NOT included in your ten page limit. Please use the budget form in Appendix E to summarize the entire proposed budget including the distribution of uses by line item. In the “other funds” column please show your anticipated matching funds for the proposed project. If your program will be administered by a consortium of agencies, clearly designate the project costs for each of the partnering agencies. For additional information on how to complete the budget form please refer to Attachment G.

Please provide a budget narrative to explain or justify the amount entered for each budget item in the budget worksheet, including:

- Your methodology for determining the budgeted amounts including the reasoning behind the amounts allocated for service or cost.
- How each budget item relates to the implementation of the proposed project and the achievement of the proposed performance goals

Section 7: References

Please provide references for any City of San Jose grant project that you have implemented/are currently implementing. Please also provide three references that can speak to the agency's ability to successfully implement the proposed project or that have funded other agency programs. This section is NOT included in your ten page limit.

Section 8: Certifications

Appendix D: Signed Certification and Assurances. The authorized agency representative must sign this form.

Appendix E: Debarment and Suspension Certification. This certification must be signed by the authorized agency representative. This certifies that neither the agency nor any of its principals have been suspended or debarred from receiving any federal assistance due to contract violations. A search on the federal Excluded Parties List System will be performed prior to contract execution.

Appendix F: Certification Regarding Drug-Free Workplace Requirements. This certification must be signed by the authorized agency representative. This certifies that the agency will provide a drug-free workplace by notifying employees that possession or use of a controlled substance is prohibited in the workplace, establish a drug-free awareness program, and provide each employee engaged in the performance of the grant a copy of the notice.

Summary of Evaluation Process

Seven evaluation criteria will be used to evaluate project applications. The project applications will be reviewed by a non-conflicted panel and ranked based on an average of the total scores received. Applicants will be invited to meet with the panel to provide a brief, five-minute presentation and clarify panelist questions. The following criteria and the weighting of scores will be used by the panelists during the rank and review process:

Criteria	Weight
Project Eligibility*	Pass/Fail
Program Description	25%
Organizational Capacity and Experience	25%
Goals and Outcomes	40%
Budget and Fee Structure	10%
Past Performance	Up to +10 or -10 points
Audit Review**	Pass/Fail

*** An application with a “Fail” rating for Project Eligibility will not be recommended for funding.**

**** An applicant with a “Fail” rating for the Audit Review will be ineligible for funding.**

Appendices

Appendix A-1: Foreclosure Response

Appendix A-2: Homelessness Outreach and Families and Youth Programs

Appendix A-3: Homelessness HMIS Project

Appendix A-4: Senior Services

Appendix A-5: Emergency and Minor Repair Services

Appendix A-6: Neighborhood Clean-Up

Appendix B: Application Checklist

Appendix C: Cover Sheet

Appendix D: Goals and Outcomes

Appendix E: Project Budget

Appendix F: Certifications and Assurances

Appendix G: Certification Regarding Non-Suspension or Debarment

Appendix H: Certification Regarding Drug-Free Workplace Requirements

Attachments

Attachment A: Summary of National Objectives for CDBG funded Projects

Each activity, except planning and administrative activities, must meet one of the CDBG program's three broad National Objectives:

1. Benefit low- and moderate-income persons,
2. Aid in the prevention or elimination of slums or blight, or
3. Meet community development needs having a particular urgency.

At least 70 percent of the grantee's overall expenditures during a one-, two- or three-year period (specified by the grantee) must be used for activities that benefit low- and moderate-income persons.

1. Activities benefiting low- and moderate-income persons

a) **Area benefit activities**

An activity, the benefits of which are available to *all* the residents in a particular area, where at least 51 percent of the residents are low- and moderate-income persons. The service area must be primarily residential, and the activity must meet the identified needs of low- and moderate-income persons. Examples include: street improvements, water and sewer lines, neighborhood facilities, and facade improvements in neighborhood commercial districts. Such an activity must meet one of the following qualifying criteria:

- (1) Fifty-one percent of the persons residing in the service area are low and moderate income, supported by the most recently available decennial census information, together with the Section 8 income limits that would have applied at the time the income information was collected by the Census Bureau. (HUD provides grantees with information by census tract and block group that may be used to determine this percentage); or
- (2) Fifty-one percent of the persons residing in the service area are low- and moderate-income residents supported by a current survey of the residents of the service area *if* the recipient believes that the census data do not reflect current relative income levels in an area, **or** where census boundaries do not coincide sufficiently well with the service area of an activity. The survey results must meet statistical reliability standards and be approved by HUD; or
- (3) Under the Exception Criteria, a service area that contains less than 51 percent low- and moderate-income residents will be considered to meet this National Objective if the proportion of low- and moderate-income persons in the area is within the *highest quartile* of all areas in the

recipient's jurisdiction in terms of the degree of concentration of such persons. HUD will determine the lowest proportion a recipient may use to qualify an area for this purpose.

Records to be maintained:

- Boundaries of the service area;
- Data showing the percent of low- and moderate-income persons residing in the service area; and
- Data showing that the area qualifies under the exception rule if the percent of low- and moderate-income persons in the service area is less than 51 percent. Specific data

requirements for the Consolidated Annual Performance and Evaluation Report (CAPER) can be found in the Appendix to Chapter 6, CAPER Information.

b) **Limited clientele activities**

- (1) An activity that benefits a limited clientele, at least 51 percent of whom are low- and moderate-income persons. Examples include: construction of a senior center; public services for the homeless; meals on wheels for the elderly; and construction of job training facilities for the handicapped. The activity must meet one of the following qualifying criteria:
 - (a) The activity must exclusively serve a group of persons in any one or a combination of categories generally presumed to be principally low and moderate income: abused children, battered spouses, elderly persons, adults meeting the definition of “severely disabled” in the Bureau of Census’s Current Population Reports, homeless persons, illiterate adults, persons living with AIDS, and migrant farm workers; or
 - (b) Information must be required on family size and income to document that at least 51 percent of the clientele are persons whose family income does not exceed Section 8 low- and moderate-income limits; or
 - (c) The activity must have income eligibility requirements that limit the activity exclusively to low- and moderate-income persons; or
 - (d) The activities must be of such nature and in such location that it may be reasonably concluded that the activity's clientele will primarily be low- and moderate-income persons.
- (2) A special project that serves to remove material and architectural barriers that restrict the mobility and accessibility of elderly persons or

of adults meeting the definition of “severely disabled” in the Bureau of Census’s Current Population Reports will qualify if it is restricted, to the extent practicable, to the removal of such barriers by assisting:

- the reconstruction of a public improvement or facility, or portion thereof, that does not serve an area that is predominantly low and moderate income;
- the rehabilitation of a privately owned non-residential building or improvement that does not serve an area that is predominantly low or moderate income or create or retain jobs primarily for low- and moderate-income persons; or,
- the rehabilitation of the common areas of a residential structure that is not principally occupied by low- and moderate-income households.

Records to be maintained:

One of the following types of documentation must be kept for each activity:

- Documentation showing that the activity is designed for and used by a segment of the population presumed by HUD to be principally low and moderate income; or
- Documentation describing how the nature and, if applicable, the location of the activity establishes that it will primarily benefit low- and moderate-income persons; or
- Date showing the size and annual income of the family of each person receiving the benefit; or
- Data showing that the activity is a special project removing accessibility barriers in the limited cases described above.

c) **Housing activities**

An activity carried out for the purpose of providing or improving permanent residential structures which, upon completion, will be principally occupied by low- and moderate-income households. Examples include: property acquisition or rehabilitation of property for permanent housing; conversion of non-residential structures into permanent housing; and new housing construction. The activity must meet the following qualifying criteria:

- (1) One-unit structures must be occupied by low- and moderate-income households.
- (2) Two-unit structures must have at least one unit occupied by a low- and

moderate-income household.

- (3) Structures containing more than two units must have at least 51 percent of the units occupied by low- and moderate-income households.
- (4) Rental buildings under common ownership and management that are located on the same or contiguous properties may be considered as a single structure.
- (5) For rental housing, occupancy by low- and moderate-income households must be at affordable rents, consistent with standards adopted and publicized by the CDBG grantee for determining “affordable rent” levels.
- (6) Assistance to reduce the development cost of the new construction of non-elderly, multi-unit rental structures may qualify if: (a) at least 20 percent of the units are occupied by low- and moderate-income households; (b) where low- and moderate-income occupancy is between 20 percent and 51 percent, the CDBG proportion of the total development costs (including the costs of all work from design and engineering through completion of the physical improvements and, if integral to the project, the costs of acquisition) is no greater than the proportion of units occupied by low- and moderate-income households.

Records to be maintained:

- A copy of the written agreement with each landlord or developer receiving CDBG assistance indicating the total number of dwelling units in each multi-unit structure assisted and the number of those units that will be occupied by low- and moderate-income households after assistance.
- The total cost of the activity, including both CDBG and non-CDBG funds.
- For each unit occupied by a low- and moderate-income household, the size, ethnicity, and income of the household.
- For rental housing only:
 - Rent charged (or to be charged) after assistance, for each dwelling unit in each structure assisted; and
 - Information as necessary to show the affordability of units occupied (or to be occupied) by low- and moderate-income households pursuant to criteria established and made public by the grantee.

- For each property acquired on which there are no structures, evidence of commitments ensuring that the above criteria will be met when the structures are built.
- Where applicable, records documenting that the activity qualified under the exception allowed for new construction of non-elderly, multi-unit, rental housing.

d) **Job creation or retention activities**

An activity designed to create or retain permanent jobs where at least 51 percent of that, computed on a full-time equivalent (FTE) basis, involve the employment of low- and moderate-income persons. Potentially eligible activities include: construction by the grantee of a business incubator designed to offer space and assistance to new firms to help them become viable small businesses; loans to pay for the expansion of a plant or factory; and assistance to a business to prevent closure and a resultant loss of jobs for low- and moderate-income persons. As a general rule, each assisted business shall be considered to be a separate activity for purposes of determining whether the activity qualifies. However, in certain cases, such as where CDBG funds

are used to acquire, develop or improve real property (e.g., a business incubator or an industrial park), the requirement may be met by measuring jobs in the aggregate for all the businesses that locate on the property, provided such businesses are not otherwise assisted by CDBG funds. Additionally, where CDBG funds are used to pay for the staff and overhead costs of an entity making loans to businesses from non-CDBG funds, this requirement may be met by aggregating the jobs created or retained by all of the businesses receiving loans during each program year. Finally, a job creation/retention activity undertaken pursuant to the strategy for a HUD-approved Neighborhood Revitalization Strategy Area may be considered to meet the low/moderate area benefit National Objective under 570.208(d)(5)(i).

Jobs may be taken by low- and moderate-income persons or made available to such persons. Jobs are only considered to be *available to* low- or moderate-income persons when:

- (1) Special skills that can only be acquired with substantial training or work experience or education beyond high school are not a prerequisite to fill such jobs, or the business agrees to hire unqualified persons and provide training; and
- (2) Local government and/or the assisted business take actions to ensure that low- and moderate-income persons receive *first consideration* for filling such jobs.

Records to be maintained for benefit based on job creation:

Where the grantee chooses to document that at least **51 percent of the jobs will be available to** low- and moderate-income persons, documentation for each assisted business shall include:

- A copy of a written agreement, containing:
 - A commitment by the business that it will make at least 51 percent of the FTE jobs available to low- and moderate-income persons and will provide training for any of those jobs requiring special skills or education;
 - A listing by job title of the permanent jobs to be created, indicating which jobs will be available to low- and moderate-income persons, which jobs require special skills or education, and which jobs are part-time; and,
 - A description of the actions to be taken by the grantee and business to ensure that low- and moderate-income persons receive **first consideration** for these jobs; and
- A listing by job title of the permanent jobs filled, and which jobs were available to low- and moderate-income persons, as well as a description of how first consideration was given to any such persons for these jobs. The description shall include what type of hiring process was used; the names of the low- and moderate-income persons interviewed for each such job; and those hired.

Or

Where the grantee chooses to document that at least **51 percent of the jobs will be held by** low- and moderate-income persons, documentation for each assisted business shall include:

- A copy of a written agreement, containing:
 - A commitment by the business that at least 51 percent of the jobs created, on a full-time equivalent basis, will be held by low- and moderate-income persons; and,
 - A listing by job title of the permanent jobs to be created (identifying which are part-time, if any).
- A listing by job title of the permanent jobs filled and which jobs were **initially taken by** low- and moderate-income persons; and

- For each low- and moderate-income person hired, information on the size and annual income of the person's family prior to the time the person was hired for the job, or evidence that the person may be presumed to be low or moderate income based on the location of the business or the person's residence [see §570.208(a)(4)(iv)].

For benefit based on job retention, the following documentation must be kept:

- Evidence that in the absence of CDBG assistance, the jobs would be lost; and,
- For each business assisted, a listing by job title of permanent jobs retained, indicating which of those jobs are part-time and (where it is known) which are held by low- and moderate-income persons at the time the assistance is provided; and,
- Where applicable, identification of any of the retained jobs (other than those known to be held by low- and moderate-income persons) that are projected to become available to low- and moderate-income persons through job turnover within two years of the time CDBG assistance is provided, and information on how the turnover projections were calculated; and,
- For each retained job claimed to be held by a low- and moderate-income person, information on the size and annual income of the person's family, or evidence that the person may be presumed to be low or moderate income based on the location of the business or the person's residence [see §570.208(a)(4)(iv)]; and,
- For jobs claimed to be available to low- and moderate-income persons based on job turnover: a description covering the items required for "available to" jobs identified above; a listing of each job that has turned over to date, indicating which of those jobs were either taken by, or made available to low- and moderate-income persons; and a description of how "first consideration" was given to low- and moderate-income persons for those jobs.

2. Activities that aid in the prevention or elimination of slums or blight

a) Activities to address *slums or blight* on an area basis

An activity that aids in the prevention or elimination of slums or blight in a designated area. Examples include: assistance to commercial or industrial businesses, public facilities or improvements, and code enforcement **in a**

blighted neighborhood. The activity must meet *all* of the following qualifying criteria:

- (1) The area, delineated by the grantee, must meet a definition of a slum, blighted, deteriorated or deteriorating area under state or local law;
- (2) There must be a substantial number of deteriorated or deteriorating buildings throughout the area, or the public improvements are in a general state of deterioration;
- (3) The activity must address one or more of the conditions that contributed to the deterioration of the area; and
- (4) If rehabilitation of residential buildings not occupied by low- and moderate-income households is undertaken, each such building rehabilitated must be considered substandard under local definition before rehabilitation, and *all deficiencies making a building substandard must be corrected before less critical work on the building may be undertaken.*

Records to be maintained:

- Boundaries of the area.
- A description of the conditions that qualified the area at the time of its designation in sufficient detail to demonstrate how the area met the qualifying criteria.
- For each residential rehabilitation activity:
 - A local definition of 'substandard' that must be at least as stringent as the housing quality standards used in the Section 8 Housing Assistance Payment Program - Existing Housing; and
 - A pre-rehabilitation inspection report describing the deficiencies in each structure to be rehabilitated; and
 - Details and scope of CDBG-assisted rehabilitation, by structure

b) **Activities to address slums or blight on a spot basis**

An activity that aids in the prevention or elimination of slums or blight *outside of a slum or blighted area*. Examples include: elimination of faulty wiring, falling plaster, or other similar conditions that are detrimental to all potential occupants; historic preservation of a deteriorated public facility; and demolition of a vacant, deteriorated, abandoned building. The activity must meet the following qualifying criteria:

- (1) The activity must be designed to eliminate *specific conditions of blight or physical decay* on a spot basis; and
- (2) The activity must be limited to *acquisition, clearance, relocation, historic preservation, and/or rehabilitation of buildings*. Rehabilitation is limited to the extent necessary to eliminate specific conditions *detrimental to public health and safety*.

Records to be maintained:

- A description of the specific condition of blight or physical decay treated;
- For rehabilitation carried out under this category, a description of the structure, including:
 - The specific conditions detrimental to public health and safety that were identified; and
 - Details and scope of the CDBG-assisted rehabilitation.

c) **Activities to address *slums or blight in an urban renewal area***

An activity that aids in the elimination or prevention of slums or blight in an urban renewal area. The activity must meet the following qualifying criteria:

- (1) The activity must be located within a Federally designated *urban renewal project area or Neighborhood Development Program (NDP) action area*; and,
- (2) The activity must be *necessary to complete the urban renewal plan*, then in effect, including *initial* land redevelopment permitted by the plan.

Records to be maintained:

- A copy of the Urban Renewal Plan, in effect at the time the CDBG activity is carried out, including maps and supporting documentation.

3. Activities designed to meet *urgent community development needs*

An activity designed to alleviate existing conditions that have a particular urgency. Examples include reconstruction of water and sewer lines destroyed by major catastrophes or emergencies such as floods or tornadoes. The activity must meet the following qualifying criteria:

- a) The existing conditions must pose a *serious and immediate threat to the health or welfare* of the community;
- b) The existing conditions are of *recent origin* or recently became urgent (generally within the past 18 months);
- c) The grantee is *unable to finance* the activity on its own; and
- d) *Other sources of funding are not available.*

Records to be maintained:

- Documentation concerning the nature and degree of seriousness of the condition requiring assistance;

Evidence that the grantee certified that the CDBG activity was designed to address the urgent need;

- Information on the timing of the development of the serious condition; and
- Evidence confirming that other financial resources to alleviate the need were not available.

4. Additional Criteria

- a) According to 24 CFR 570.208(d), where the assisted activity is *acquisition of real property*, a preliminary determination of whether the activity addresses a National Objective may be based on the planned use of the property after acquisition. The documentation required depends on planned use.
- b) *Where acquisition is for the purpose of clearance* that will eliminate specific conditions of blight or physical decay, *the clearance activity will be considered the actual use of the property.* However, any subsequent use or disposition of the cleared property is treated as “change of use” under §570.505.

Attachment B: Eligible Program Activities for ESG Funded Projects

Department of Housing and Urban Development, 24 CFR Part 576—Emergency Solutions Grant Program, Subpart B--Program Components and Eligible Activities

Sec. 576.100 General provisions and expenditure limits.

(a) ESG funds may be used for five program components: street outreach, emergency shelter, homelessness prevention, rapid re-housing assistance, and HMIS; as well as administrative activities. The five program components and the eligible activities that may be funded under each are set forth in Sec. 576.101 through Sec. 576.107. Eligible administrative activities are set forth in Sec. 576.108.

(b) The total amount of the recipient's fiscal year grant that may be used for street outreach and emergency shelter activities cannot exceed the greater of:

- (1) 60 percent of the recipient's fiscal year grant; or
- (2) The amount of Fiscal Year 2010 grant funds committed for homeless assistance activities.

(c) The total amount of ESG funds that may be used for administrative activities cannot exceed 7.5 percent of the recipient's fiscal year grant.

(d) Subject to the cost principles in OMB Circulars A-87 (2 CFR 225) and A-122 (2 CFR 230) and other requirements in this part, employee compensation and other overhead costs directly related to carrying out street outreach, emergency shelter, homelessness prevention, rapid re-housing, and HMIS are eligible costs of those program components. These costs are not subject to the expenditure limit in paragraph (c) of this section.

Sec. 576.101 Street outreach component.

(a) Eligible costs. Subject to the expenditure limit in Sec. 576.100(b), ESG funds may be used for costs of providing essential services necessary to reach out to unsheltered homeless people; connect them with emergency shelter, housing, or critical services; and provide urgent, nonfacility-based care to unsheltered homeless people who are unwilling or unable to access emergency shelter, housing, or an appropriate health facility. For the purposes of this section, the term "unsheltered homeless people" means individuals and families who qualify as homeless under paragraph (1)(i) of the "homeless" definition under Sec. 576.2. The eligible costs and requirements for essential services consist of:

- (1) Engagement. The costs of activities to locate, identify, and build relationships with unsheltered homeless people and engage them for the purpose of providing immediate support, intervention, and connections with homeless assistance programs and/or mainstream social services and housing programs. These activities consist of making an initial assessment of needs and eligibility; providing crisis counseling;

addressing urgent physical needs, such as providing meals, blankets, clothes, or toiletries; and actively connecting and providing information and referrals to programs targeted to homeless people and mainstream social services and housing programs, including emergency helter, transitional housing, community-based services, permanent supportive housing, and rapid re-housing programs. Eligible costs include the cell phone costs of outreach workers during the performance of these activities.

(2) Case management. The cost of assessing housing and service needs, arranging, coordinating, and monitoring the delivery of individualized services to meet the needs of the program participant. Eligible services and activities are as follows: using the centralized or coordinated assessment system as required under Sec. 576.400(d); conducting the initial evaluation required under Sec. 576.401(a), including verifying and documenting eligibility; counseling; developing, securing and coordinating services; obtaining Federal, State, and local benefits; monitoring and evaluating program participant progress; providing information and referrals to other providers; and developing an individualized housing and service plan, including planning a path to permanent housing stability.

(3) Emergency health services. (i) Eligible costs are for the direct outpatient treatment of medical conditions and are provided by licensed medical professionals operating in community-based settings, including streets, parks, and other places where unsheltered homeless people are living.

(ii) ESG funds may be used only for these services to the extent that other appropriate health services are inaccessible or unavailable within the area.

(iii) Eligible treatment consists of assessing a program participant's health problems and developing a treatment plan; assisting program participants to understand their health needs; providing directly or assisting program participants to obtain appropriate emergency medical treatment; and providing medication and follow-up services.

(4) Emergency mental health services. (i) Eligible costs are the direct outpatient treatment by licensed professionals of mental health conditions operating in community-based settings, including streets, parks, and other places where unsheltered people are living.

(ii) ESG funds may be used only for these services to the extent that other appropriate mental health services are inaccessible or unavailable within the community.

(iii) Mental health services are the application of therapeutic processes to personal, family, situational, or occupational problems in order to bring about positive resolution of the problem or improved individual or family functioning or circumstances.

(iv) Eligible treatment consists of crisis interventions, the prescription of psychotropic medications, explanation about the use and management of medications, and combinations of therapeutic approaches to address multiple problems.

(5) Transportation. The transportation costs of travel by outreach workers, social workers, medical professionals, or other service providers are eligible, provided that this travel takes place during the provision of services eligible under this section. The costs of transporting unsheltered people to emergency shelters or other service facilities are also eligible. These costs include the following:

(i) The cost of a program participant's travel on public transportation;

(ii) If service workers use their own vehicles, mileage allowance for service workers to visit program participants;

(iii) The cost of purchasing or leasing a vehicle for the recipient or subrecipient in which staff transports program participants and/or staff serving program participants, and the cost of gas, insurance, taxes and maintenance for the vehicle; and

(iv) The travel costs of recipient or subrecipient staff to accompany or assist program participants to use public transportation.

(6) Services for special populations. ESG funds may be used to provide services for homeless youth, victim services, and services for people living with HIV/AIDS, so long as the costs of providing these services are eligible under paragraphs (a)(1) through (a)(5) of this section. The term victim services means services that assist program participants who are victims of domestic violence, dating violence, sexual assault, or stalking, including services offered by rape crisis centers and domestic violence shelters, and other organizations with a documented history of effective work concerning domestic violence, dating violence, sexual assault, or stalking.

(b) Minimum period of use. The recipient or subrecipient must provide services to homeless individuals and families for at least the period during which ESG funds are provided.

(c) Maintenance of effort. (1) If the recipient or subrecipient is a unit of general purpose local government, its ESG funds cannot be used to replace funds the local government provided for street outreach and emergency shelter services during the immediately preceding 12-month period, unless HUD determines that the unit of general purpose local government is in a severe financial deficit.

(2) Upon the recipient's request, HUD will determine whether the unit of general purpose local government is in a severe financial deficit, based on the recipient's demonstration of each of the following:

(i) The average poverty rate in the unit of general purpose local government's jurisdiction was equal to or greater than 125 percent of the average national poverty rate, during the calendar year for which the most recent data are available, as determined according to information from the U.S. Census Bureau.

(ii) The average per-capita income in the unit of general purpose local government's jurisdiction was less than 75 percent of the average national per-capita income, during the calendar year for which the most recent data are available, as determined according to information from the Census Bureau.

(iii) The unit of general purpose local government has a current annual budget deficit that requires a reduction in funding for services for homeless people.

(iv) The unit of general purpose local government has taken all reasonable steps to prevent a reduction in funding of services for homeless people. Reasonable steps may include steps to increase revenue generation, steps to maximize cost savings, or steps to reduce expenditures in areas other than services for homeless people.

Sec. 576.102 Emergency shelter component.

(a) General. Subject to the expenditure limit in Sec. 576.100(b), ESG funds may be used for costs of providing essential services to homeless families and individuals in emergency shelters, renovating buildings to be used as emergency shelter for homeless families and individuals, and operating emergency shelters.

(1) Essential services. ESG funds may be used to provide essential services to individuals and families who are in an emergency shelter, as follows:

(i) Case management. The cost of assessing, arranging, coordinating, and monitoring the delivery of individualized services to meet the needs of the program participant is eligible. Component services and activities consist of:

(A) Using the centralized or coordinated assessment system as required under Sec. 576.400(d);

(B) Conducting the initial evaluation required under Sec.576.401(a), including verifying and documenting eligibility;

(C) Counseling;

(D) Developing, securing, and coordinating services and obtaining Federal, State, and local benefits;

(E) Monitoring and evaluating program participant progress;

(F) Providing information and referrals to other providers;

(G) Providing ongoing risk assessment and safety planning with victims of domestic violence, dating violence, sexual assault, and stalking; and

(H) Developing an individualized housing and service plan, including planning a path to permanent housing stability.

(ii) Child care. The costs of child care for program participants, including providing meals and snacks, and comprehensive and coordinated sets of appropriate developmental activities, are eligible. The children must be under the age of 13, unless they are disabled. Disabled children must be under the age of 18. The child-care center must be licensed by the jurisdiction in which it operates in order for its costs to be eligible.

(iii) Education services. When necessary for the program participant to obtain and maintain housing, the costs of improving knowledge and basic educational skills are eligible. Services include instruction or training in consumer education, health education, substance abuse prevention, literacy, English as a Second Language, and General Educational Development (GED). Component services or activities are screening, assessment and testing; individual or group instruction; tutoring; provision of books, supplies and instructional material; counseling; and referral to community resources.

(iv) Employment assistance and job training. The costs of employment assistance and job training programs are eligible, including classroom, online, and/or computer instruction; on-the-job instruction; and services that assist individuals in securing employment, acquiring learning skills, and/or increasing earning potential. The cost of providing reasonable stipends to program participants in employment assistance and job training programs is an eligible cost. Learning skills include those skills that can be used to secure and retain a job, including the acquisition of vocational licenses and/or certificates. Services that assist individuals in securing employment consist of employment screening, assessment, or testing; structured job skills and job-seeking skills; special training and tutoring, including literacy training and prevocational training; books and instructional material; counseling or job coaching; and referral to community resources.

(v) Outpatient health services. Eligible costs are for the direct outpatient treatment of medical conditions and are provided by licensed medical professionals. Emergency Solutions Grant (ESG) funds may be used only for

these services to the extent that other appropriate health services are unavailable within the community. Eligible treatment consists of assessing a program participant's health problems and developing a treatment plan; assisting program participants to understand their health needs; providing directly or assisting program participants to obtain appropriate medical treatment, preventive medical care, and health maintenance services, including emergency medical services; providing medication and follow-up services; and providing preventive and noncosmetic dental care.

(vi) Legal services. (A) Eligible costs are the hourly fees for legal advice and representation by attorneys licensed and in good standing with the bar association of the State in which the services are provided, and by person(s) under the supervision of the licensed attorney, regarding matters that interfere with the program participant's ability to obtain and retain housing.

(B) Emergency Solutions Grant (ESG) funds may be used only for these services to the extent that other appropriate legal services are unavailable or inaccessible within the community.

(C) Eligible subject matters are child support, guardianship, paternity, emancipation, and legal separation, orders of protection and other civil remedies for victims of domestic violence, dating violence, sexual assault, and stalking, appeal of veterans and public benefit claim denials, and the resolution of outstanding criminal warrants.

(D) Component services or activities may include client intake, preparation of cases for trial, provision of legal advice, representation at hearings, and counseling.

(E) Fees based on the actual service performed (i.e., fee for service) are also eligible, but only if the cost would be less than the cost of hourly fees. Filing fees and other necessary court costs are also eligible. If the subrecipient is a legal services provider and performs the services itself, the eligible costs are the subrecipient's employees' salaries and other costs necessary to perform the services.

(F) Legal services for immigration and citizenship matters and issues relating to mortgages are ineligible costs. Retainer fee arrangements and contingency fee arrangements are ineligible costs.

(vii) Life skills training. The costs of teaching critical life management skills that may never have been learned or have been lost during the course of physical or mental illness, domestic violence, substance use, and homelessness are eligible costs. These services must be necessary to assist the program participant to function independently in the community. Component life skills training are budgeting resources, managing money, managing a household, resolving

conflict, shopping for food and needed items, improving nutrition, using public transportation, and parenting.

(viii) Mental health services. (A) Eligible costs are the direct outpatient treatment by licensed professionals of mental health conditions.

(B) ESG funds may only be used for these services to the extent that other appropriate mental health services are unavailable or inaccessible within the community.

(C) Mental health services are the application of therapeutic processes to personal, family, situational, or occupational problems in order to bring about positive resolution of the problem or improved individual or family functioning or circumstances. Problem areas may include family and marital relationships, parent-child problems, or symptom management.

(D) Eligible treatment consists of crisis interventions; individual, family, or group therapy sessions; the prescription of psychotropic medications or explanations about the use and management of medications; and combinations of therapeutic approaches to address multiple problems.

(ix) Substance abuse treatment services.

(A) Eligible substance abuse treatment services are designed to prevent, reduce, eliminate, or deter relapse of substance abuse or addictive behaviors and are provided by licensed or certified professionals.

(B) ESG funds may only be used for these services to the extent that other appropriate substance abuse treatment services are unavailable or inaccessible within the community.

(C) Eligible treatment consists of client intake and assessment, and outpatient treatment for up to 30 days. Group and individual counseling and drug testing are eligible costs. Inpatient detoxification and other inpatient drug or alcohol treatment are not eligible costs.

(x) Transportation. Eligible costs consist of the transportation costs of a program participant's travel to and from medical care, employment, child care, or other eligible essential services facilities. These costs include the following:

(A) The cost of a program participant's travel on public transportation;

(B) If service workers use their own vehicles, mileage allowance for service workers to visit program participants;

(C) The cost of purchasing or leasing a vehicle for the recipient or subrecipient in which staff transports program participants and/or staff serving program participants, and the cost of gas, insurance, taxes, and maintenance for the vehicle; and

(D) The travel costs of recipient or subrecipient staff to accompany or assist program participants to use public transportation.

(xi) Services for special populations. ESG funds may be used to provide services for homeless youth, victim services, and services for people living with HIV/AIDS, so long as the costs of providing these services are eligible under paragraphs (a)(1)(i) through (a)(1)(x) of this section. The term victim services means services that assist program participants who are victims of domestic violence, dating violence, sexual assault, or stalking, including services offered by rape crisis centers and domestic violence shelters, and other organizations with a documented history of effective work concerning domestic violence, dating violence, sexual assault, or stalking.

(2) Renovation. Eligible costs include labor, materials, tools, and other costs for renovation (including major rehabilitation of an emergency shelter or conversion of a building into an emergency shelter). The emergency shelter must be owned by a government entity or private nonprofit organization.

(3) Shelter operations. Eligible costs are the costs of maintenance (including minor or routine repairs), rent, security, fuel, equipment, insurance, utilities, food, furnishings, and supplies necessary for the operation of the emergency shelter. Where no appropriate emergency shelter is available for a homeless family or individual, eligible costs may also include a hotel or motel voucher for that family or individual.

(4) Assistance required under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA). Eligible costs are the costs of providing URA assistance under Sec. 576.408, including relocation payments and other assistance to persons displaced by a project assisted with ESG funds. Persons that receive URA assistance are not considered "program participants" for the purposes of this part, and relocation payments and other URA assistance are not considered "rental assistance" or "housing relocation and stabilization services" for the purposes of this part.

(b) Prohibition against involuntary family separation. The age, of a child under age 18 must not be used as a basis for denying any family's admission to an emergency shelter that uses Emergency Solutions Grant (ESG) funding or services and provides shelter to families with children under age 18.

(c) Minimum period of use. (1) Renovated buildings. Each building renovated with ESG funds must be maintained as a shelter for homeless individuals and families for not less

than a period of 3 or 10 years, depending on the type of renovation and the value of the building. The "value of the building" is the reasonable monetary value assigned to the building, such as the value assigned by an independent real estate appraiser. The minimum use period must begin on the date the building is first occupied by a homeless individual or family after the completed renovation. A minimum period of use of 10 years, required for major rehabilitation and conversion, must be enforced by a recorded deed or use restriction.

(i) Major rehabilitation. If the rehabilitation cost of an emergency shelter exceeds 75 percent of the value of the building before rehabilitation, the minimum period of use is 10 years.

(ii) Conversion. If the cost to convert a building into an emergency shelter exceeds 75 percent of the value of the building after conversion, the minimum period of use is 10 years.

(iii) Renovation other than major rehabilitation or conversion. In all other cases where ESG funds are used for renovation, the minimum period of use is 3 years.

(2) Essential services and shelter operations. Where the recipient or subrecipient uses ESG funds solely for essential services or shelter operations, the recipient or subrecipient must provide services or shelter to homeless individuals and families at least for the period during which the ESG funds are provided. The recipient or subrecipient does not need to limit these services or shelter to a particular site or structure, so long as the site or structure serves the same type of persons originally served with the assistance (e.g., families with children, unaccompanied youth, disabled individuals, or victims of domestic violence) or serves homeless persons in the same area where the recipient or subrecipient originally provided the services or shelter.

(d) Maintenance of effort. The maintenance of effort requirements under Sec. 576.101(c), which apply to the use of ESG funds for essential services related to street outreach, also apply for the use of such funds for essential services related to emergency shelter.

Sec. 576.103 Homelessness prevention component.

ESG funds may be used to provide housing relocation and stabilization services and short- and/or medium-term rental assistance necessary to prevent an individual or family from moving into an emergency shelter or another place described in paragraph (1) of the "homeless" definition in Sec. 576.2. This assistance, referred to as homelessness prevention, may be provided to individuals and families who meet the criteria under the "at risk of homelessness" definition, or who meet the criteria in paragraph (2), (3), or (4) of the "homeless" definition in Sec. 576.2 and have an annual income below 30 percent of median family income for the area, as determined by HUD. The costs of homelessness prevention are only eligible to the extent that the assistance is necessary to help the

program participant regain stability in the program participant's current permanent housing or move into other permanent housing and achieve stability in that housing. Homelessness prevention must be provided in accordance with the housing relocation and stabilization services requirements in Sec. 576.105, the short-term and medium-term rental assistance requirements in Sec. 576.106, and the written standards and procedures established under Sec. 576.400.

Sec. 576.104 Rapid re-housing assistance component.

ESG funds may be used to provide housing relocation and stabilization services and short- and/or medium-term rental assistance as necessary to help a homeless individual or family move as quickly as possible into permanent housing and achieve stability in that housing. This assistance, referred to as rapid re-housing assistance, may be provided to program participants who meet the criteria under paragraph (1) of the "homeless" definition in Sec. 576.2 or who meet the criteria under paragraph (4) of the "homeless" definition and live in an emergency shelter or other place described in paragraph (1) of the "homeless" definition. The rapid re-housing assistance must be provided in accordance with the housing relocation and stabilization services requirements in Sec. 576.105, the short- and medium-term rental assistance requirements in Sec. 576.106, and the written standards and procedures established under Sec. 576.400.

Sec. 576.105 Housing relocation and stabilization services.

(a) Financial assistance costs. Subject to the general conditions under Sec. 576.103 and Sec. 576.104, ESG funds may be used to pay housing owners, utility companies, and other third parties for the following costs:

- (1) Rental application fees. ESG funds may pay for the rental housing application fee that is charged by the owner to all applicants.
- (2) Security deposits. ESG funds may pay for a security deposit that is equal to no more than 2 months' rent.
- (3) Last month's rent. If necessary to obtain housing for a program participant, the last month's rent may be paid from ESG funds to the owner of that housing at the time the owner is paid the security deposit and the first month's rent. This assistance must not exceed one month's rent and must be included in calculating the program participant's total rental assistance, which cannot exceed 24 months during any 3-year period.
- (4) Utility deposits. ESG funds may pay for a standard utility deposit required by the utility company for all customers for the utilities listed in paragraph (5) of this section.
- (5) Utility payments. ESG funds may pay for up to 24 months of utility payments per program participant, per service, including up to 6 months of utility payments in arrears, per service. A partial payment of a utility bill counts as one month. This

assistance may only be provided if the program participant or a member of the same household has an account in his or her name with a utility company or proof of responsibility to make utility payments. Eligible utility services are gas, electric, water, and sewage. No program participant shall receive more than 24 months of utility assistance within any 3-year period.

(6) Moving costs. ESG funds may pay for moving costs, such as truck rental or hiring a moving company. This assistance may include payment of temporary storage fees for up to 3 months, provided that the fees are accrued after the date the program participant begins receiving assistance under paragraph (b) of this section and before the program participant moves into permanent housing. Payment of temporary storage fees in arrears is not eligible.

(b) Services costs. Subject to the general restrictions under Sec. 576.103 and Sec. 576.104, ESG funds may be used to pay the costs of providing the following services:

(1) Housing search and placement. Services or activities necessary to assist program participants in locating, obtaining, and retaining suitable permanent housing, include the following:

- (i) Assessment of housing barriers, needs, and preferences;
- (ii) Development of an action plan for locating housing;
- (iii) Housing search;
- (iv) Outreach to and negotiation with owners;
- (v) Assistance with submitting rental applications and understanding leases;
- (vi) Assessment of housing for compliance with Emergency Solutions Grant (ESG) requirements for habitability, lead-based paint, and rent reasonableness;
- (vii) Assistance with obtaining utilities and making moving arrangements; and
- (viii) Tenant counseling.

(2) Housing stability case management. ESG funds may be used to pay cost of assessing, arranging, coordinating, and monitoring the delivery of individualized services to facilitate housing stability for a program participant who resides in permanent housing or to assist a program participant in overcoming immediate barriers to obtaining housing. This assistance cannot exceed 30 days during the period the program participant is seeking permanent housing and cannot exceed 24 months during the period the program participant is living in permanent housing. Component services and activities consist of:

(A) Using the centralized or coordinated assessment system as required under Sec. 576.400(d), to evaluate individuals and families applying for or receiving homelessness prevention or rapid re-housing assistance;

(B) Conducting the initial evaluation required under Sec. 576.401(a), including verifying and documenting eligibility, for individuals and families applying for homelessness prevention or rapid re-housing assistance;

(C) Counseling;

(D) Developing, securing, and coordinating services and obtaining Federal, State, and local benefits;

(E) Monitoring and evaluating program participant progress;

(F) Providing information and referrals to other providers;

(G) Developing an individualized housing and service plan, including planning a path to permanent housing stability; and

(H) Conducting re-evaluations required under Sec. 576.401(b).

(3) Mediation. ESG funds may pay for mediation between the program participant and the owner or person(s) with whom the program participant is living, provided that the mediation is necessary to prevent the program participant from losing permanent housing in which the program participant currently resides.

(4) Legal services. ESG funds may pay for legal services, as set forth in Sec. 576.102(a)(1)(vi), except that the eligible subject matters also include landlord/tenant matters, and the services must be necessary to resolve a legal problem that prohibits the program participant from obtaining permanent housing or will likely result in the program participant losing the permanent housing in which the program participant currently resides.

(5) Credit repair. ESG funds may pay for credit counseling and other services necessary to assist program participants with critical skills related to household budgeting, managing money, accessing a free personal credit report, and resolving personal credit problems. This assistance does not include the payment or modification of a debt.

(c) Maximum amounts and periods of assistance. The recipient may set a maximum dollar amount that a program participant may receive for each type of financial assistance under paragraph (a) of this section. The recipient may also set a maximum period for which a program participant may receive any of the types of assistance or services under this section. However, except for housing stability case management, the total period for which any program participant may receive the services under paragraph (b) of this

section must not exceed 24 months during any 3-year period. The limits on the assistance under this section apply to the total assistance an individual receives, either as an individual or as part of a family.

(d) Use with other subsidies. Financial assistance under paragraph (a) of this section cannot be provided to a program participant who is receiving the same type of assistance through other public sources or to a program participant who has been provided with replacement housing payments under the URA, during the period of time covered by the URA payments.

Sec. 576.106 Short-term and medium-term rental assistance.

(a) General provisions. Subject to the general conditions under Sec. 576.103 and Sec. 576.104, the recipient or subrecipient may provide a program participant with up to 24 months of rental assistance during any 3-year period. This assistance may be short-term rental assistance, medium-term rental assistance, payment of rental arrears, or any combination of this assistance.

(1) Short-term rental assistance is assistance for up to 3 months of rent.

(2) Medium-term rental assistance is assistance for more than 3 months but not more than 24 months of rent.

(3) Payment of rental arrears consists of a one-time payment for up to 6 months of rent in arrears, including any late fees on those arrears.

(4) Rental assistance may be tenant-based or project-based, as set forth in paragraphs (h) and (i) of this section.

(b) Discretion to set caps and conditions. Subject to the requirements of this section, the recipient may set a maximum amount or percentage of rental assistance that a program participant may receive, a maximum number of months that a program participant may receive rental assistance, or a maximum number of times that a program participant may receive rental assistance. The recipient may also require program participants to share in the costs of rent.

(c) Use with other subsidies. Except for a one-time payment of rental arrears on the tenant's portion of the rental payment, rental assistance cannot be provided to a program participant who is receiving tenant-based rental assistance, or living in a housing unit receiving project-based rental assistance or operating assistance, through other public sources. Rental assistance may not be provided to a program participant who has been provided with replacement housing payments under the URA during the period of time covered by the URA payments.

(d) Rent restrictions. (1) Rental assistance cannot be provided unless the rent does not exceed the Fair Market Rent established by HUD, as provided under 24 CFR part 888,

and complies with HUD's standard of rent reasonableness, as established under 24 CFR 982.507.

(2) For purposes of calculating rent under this section, the rent shall equal the sum of the total monthly rent for the unit, any fees required for occupancy under the lease (other than late fees and pet fees) and, if the tenant pays separately for utilities, the monthly allowance for utilities (excluding telephone) established by the public housing authority for the area in which the housing is located.

(e) Rental assistance agreement. The recipient or subrecipient may make rental assistance payments only to an owner with whom the recipient or subrecipient has entered into a rental assistance agreement. The rental assistance agreement must set forth the terms under which rental assistance will be provided, including the requirements that apply under this section. The rental assistance agreement must provide that, during the term of the agreement, the owner must give the recipient or subrecipient a copy of any notice to the program participant to vacate the housing unit, or any complaint used under state or local law to commence an eviction action against the program participant.

(f) Late payments. The recipient or subrecipient must make timely payments to each owner in accordance with the rental assistance agreement. The rental assistance agreement must contain the same payment due date, grace period, and late payment penalty requirements as the program participant's lease. The recipient or subrecipient is solely responsible for paying late payment penalties that it incurs with non-ESG funds.

(g) Lease. Each program participant receiving rental assistance must have a legally binding, written lease for the rental unit, unless the assistance is solely for rental arrears. The lease must be between the owner and the program participant. Where the assistance is solely for rental arrears, an oral agreement may be accepted in place of a written lease, if the agreement gives the program participant an enforceable leasehold interest under state law and the agreement and rent owed are sufficiently documented by the owner's financial records, rent ledgers, or canceled checks. For program participants living in housing with project-based rental assistance under paragraph (i) of this section, the lease must have an initial term of one year.

(h) Tenant-based rental assistance. (1) A program participant who receives tenant-based rental assistance may select a housing unit in which to live and may move to another unit or building and continue to receive rental assistance, as long as the program participant continues to meet the program requirements.

(2) The recipient may require that all program participants live within a particular area for the period in which the rental assistance is provided.

(3) The rental assistance agreement with the owner must terminate and no further rental assistance payments under that agreement may be made if:

(i) The program participant moves out of the housing unit for which the program participant has a lease;

(ii) The lease terminates and is not renewed; or

(iii) The program participant becomes ineligible to receive ESG rental assistance.

(i) Project-based rental assistance. If the recipient or subrecipient identifies a permanent housing unit that meets ESG requirements and becomes available before a program participant is identified to lease the unit, the recipient or subrecipient may enter into a rental assistance agreement with the owner to reserve the unit and subsidize its rent in accordance with the following requirements:

(1) The rental assistance agreement may cover one or more permanent housing units in the same building. Each unit covered by the rental assistance agreement ("assisted unit") may only be occupied by program participants, except as provided under paragraph (i)(4) of this section.

(2) The recipient or subrecipient may pay up to 100 percent of the first month's rent, provided that a program participant signs a lease and moves into the unit before the end of the month for which the first month's rent is paid. The rent paid before a program participant moves into the unit must not exceed the rent to be charged under the program participant's lease and must be included when determining that program participant's total rental assistance.

(3) The recipient or subrecipient may make monthly rental assistance payments only for each whole or partial month an assisted unit is leased to a program participant. When a program participant moves out of an assisted unit, the recipient or subrecipient may pay the next month's rent, i.e., the first month's rent for a new program participant, as provided in paragraph (i)(2) of this section.

(4) The program participant's lease must not condition the term of occupancy to the provision of rental assistance payments. If the program participant is determined ineligible or reaches the maximum number of months over which rental assistance can be provided, the recipient or subrecipient must suspend or terminate the rental assistance payments for the unit. If the payments are suspended, the individual or family may remain in the assisted unit as permitted under the lease, and the recipient or subrecipient may resume payments if the individual or family again becomes eligible and needs further rental assistance. If the payments are terminated, the rental assistance may be transferred to another available unit in the same building, provided that the other unit meets all ESG requirements.

(5) The rental assistance agreement must have an initial term of one year. When a new program participant moves into an assisted unit, the term of the rental assistance

agreement may be extended to cover the initial term of the program participant's lease. If the program participant's lease is renewed, the rental assistance agreement may be renewed or extended, as needed, up to the maximum number of months for which the program participant remains eligible. However, under no circumstances may the recipient or subrecipient commit ESG funds to be expended beyond the expenditure deadline in Sec. 576.203 or commit funds for a future ESG grant before the grant is awarded.

(j) Changes in household composition. The limits on the assistance under this section apply to the total assistance an individual receives, either as an individual or as part of a family.

Sec. 576.107 HMIS component.

(a) Eligible costs.

(1) The recipient or subrecipient may use ESG funds to pay the costs of contributing data to the HMIS designated by the Continuum of Care for the area, including the costs of:

- (i) Purchasing or leasing computer hardware;
- (ii) Purchasing software or software licenses;
- (iii) Purchasing or leasing equipment, including telephones, fax machines, and furniture;
- (iv) Obtaining technical support;
- (v) Leasing office space;
- (vi) Paying charges for electricity, gas, water, phone service, and high-speed data transmission necessary to operate or contribute data to the HMIS;
- (vii) Paying salaries for operating HMIS, including:
 - (A) Completing data entry;
 - (B) Monitoring and reviewing data quality;
 - (C) Completing data analysis;
 - (D) Reporting to the HMIS Lead;
 - (F) Training staff on using the HMIS or comparable database; and

(G) Implementing and complying with HMIS requirements;

(viii) Paying costs of staff to travel to and attend HUD-sponsored and HUD-approved training on HMIS and programs authorized by Title IV of the McKinney-Vento Homeless Assistance Act;

(ix) Paying staff travel costs to conduct intake; and

(x) Paying participation fees charged by the HMIS Lead, if the recipient or subrecipient is not the HMIS Lead. The HMIS Lead is the entity designated by the Continuum of Care to operate the area's HMIS.

(2) If the recipient is the HMIS lead agency, as designated by the Continuum of Care in the most recent fiscal year Continuum of Care Homeless Assistance Grants Competition, it may also use ESG funds to pay the costs of:

(i) Hosting and maintaining HMIS software or data;

(ii) Backing up, recovering, or repairing HMIS software or data;

(iii) Upgrading, customizing, and enhancing the HMIS;

(iv) Integrating and warehousing data, including development of a data warehouse for use in aggregating data from subrecipients using multiple software systems;

(v) Administering the system;

(vi) Reporting to providers, the Continuum of Care, and HUD; and

(vii) Conducting training on using the system or a comparable database, including traveling to the training.

(3) If the subrecipient is a victim services provider or a legal services provider, it may use ESG funds to establish and operate a comparable database that collects client-level data over time (i.e., longitudinal data) and generates unduplicated aggregate reports based on the data. Information entered into a comparable database must not be entered directly into or provided to an HMIS.

(b) General restrictions. Activities funded under this section must comply with HUD's standards on participation, data collection, and reporting under a local HMIS.

Sec. 576.108 Administrative activities.

(a) Eligible costs. The recipient may use up to 7.5 percent of its ESG grant for the payment of administrative costs related to the planning and execution of ESG activities. This does not include staff and overhead costs directly related to carrying out activities eligible under Sec. 576.101 through Sec. 576.107, because those costs are eligible as part of those activities. Eligible administrative costs include:

(1) General management, oversight and coordination. Costs of overall program management, coordination, monitoring, and evaluation. These costs include, but are not limited to, necessary expenditures for the following:

(i) Salaries, wages, and related costs of the recipient's staff, the staff of subrecipients, or other staff engaged in program administration. In charging costs to this category, the recipient may either include the entire salary, wages, and related costs allocable to the program of each person whose primary responsibilities with regard to the program involve program administration assignments, or the pro rata share of the salary, wages, and related costs of each person whose job includes any program administration assignments. The recipient may use only one of these methods for each fiscal year grant. Program administration assignments include the following:

(A) Preparing program budgets and schedules, and amendments to those budgets and schedules;

(B) Developing systems for assuring compliance with program requirements;

(C) Developing interagency agreements and agreements with subrecipients and contractors to carry out program activities;

(D) Monitoring program activities for progress and compliance with program requirements;

(E) Preparing reports and other documents directly related to the program for submission to HUD;

(F) Coordinating the resolution of audit and monitoring findings;

(G) Evaluating program results against stated objectives; and

(H) Managing or supervising persons whose primary responsibilities with regard to the program include such assignments as those described in paragraph (a)(1)(i)(A) through (G) of this section.

(ii) Travel costs incurred for monitoring of subrecipients;

(iii) Administrative services performed under third-party contracts or agreements, including general legal services, accounting services, and audit services; and

(iv) Other costs for goods and services required for administration of the program, including rental or purchase of equipment, insurance, utilities, office supplies, and rental and maintenance (but not purchase) of office space.

(2) Training on ESG requirements. Costs of providing training on ESG requirements and attending HUD-sponsored ESG trainings.

(3) Consolidated plan. Costs of preparing and amending the ESG and homelessness-related sections of the consolidated plan in accordance with ESG requirements and 24 CFR part 91.

(4) Environmental review. Costs of carrying out the environmental review responsibilities under Sec. 576.407.

(b) Sharing requirement. (1) States. If the recipient is a State, the recipient must share its funds for administrative costs with its subrecipients that are units of general purpose local government. The amount shared must be reasonable under the circumstances. The recipient may share its funds for administrative costs with its subrecipients that are private nonprofit organizations.

(2) Territories, metropolitan cities, and urban counties. If the recipient is a territory, metropolitan city, or urban county, the recipient may share its funds for administrative costs with its subrecipients.

Sec. 576.109 Indirect costs.

(a) In general. ESG grant funds may be used to pay indirect costs in accordance with OMB Circular A-87 (2 CFR part 225), or A-122 (2 CFR part 230), as applicable.

(b) Allocation. Indirect costs may be allocated to each eligible activity under Sec. 576.101 through Sec. 576.108, so long as that allocation is consistent with an indirect cost rate proposal developed in accordance with OMB Circular A-87 (2 CFR part 225), or A-122 (2 CFR part 230), as applicable.

(c) Expenditure limits. The indirect costs charged to an activity subject to an expenditure limit under Sec. 576.100 must be added to the direct costs charged for that activity when determining the total costs subject to the expenditure limit.

Attachment C: Glossary of Terms

At-Risk – Factors that may contribute to putting a certain group of individuals at a disadvantage. Example: youth may be at-risk of educational failure because of limited English proficiency, poverty, race, geographic location, or economic disadvantage.

Best Practices – Evidence based and replicable approaches to service delivery that have worked in the past and have produced successful results.

Collaboration – Sharing of resources, whether cash match or in-kind, that impacts the delivery of the proposed service. Examples of collaborative partners may include, but is not limited to school sites where services will be located, school districts where services will be located, and other non-profit Community Based Organizations.

Community Development Improvement (CDI) – A CDBG program category that provides funding for capital projects, housing improvements, neighborhood revitalization, code enforcement, or economic development.

Contractual Community Services (CCS) – A CDBG program category that provides funding for non-profit community-based organizations that perform services under contract with the City for community services, child care, legal services, senior services, services for persons with disabilities, youth services, and homeless/emergency assistance/employment. Activities that provide services in the priority categories of 1) Basic Needs, 2) Sustainability, 3) Access to Health Care – Senior and Disabled and 4) Legal Services/Fair Housing.

National Objective – See pages X for details

Operating Projects – Projects for the purpose of service delivery.

Outcomes – Outcomes are benefits or changes for individuals or populations during or after participating in the program activities. They are influenced by a program's outputs and may relate to behavior, skills, knowledge, attitudes, values, condition, status or other attributes.

Readiness – Does the project have the staff, resources and plan to commence services on July 1, 2010.

Severely Disabled Adults – Persons are considered severely disabled if they

1. use a wheelchair or another special aid for six months or longer;
2. are unable to perform one or more functional activities (seeing, hearing, having one's speech understood, lifting and carrying, walking up a flight of stairs and walking), need assistance with activities of daily living (getting around inside the home, getting in and out of a bed or chair, bathing, dressing, eating or toileting), or instrumental activities of daily living (going outside the home, keeping track of money or bills, preparing meals, doing light housework and using the telephone);
3. are prevented from working at a job or doing housework;
4. having a selected condition including autism, cerebral palsy, Alzheimer's disease, senility or dementia or mental retardation; or

5. are under 65 years old and are covered by Medicare or receive Supplemental Security Income (SSI).

Under-Served – Shortage of services that are provided for various target populations.

Unduplicated Participant – A participant who receives services at least once a year but who may not be counted more than once in that year.

Attachment D: Insurance Requirements

GRANTEE, at GRANTEE's sole cost and expense, and for the full term of this grant or any renewal thereof, shall obtain and maintain at least all of the following minimum insurance requirements prior to receiving any monies under the grant:

- A. A COMMERCIAL GENERAL LIABILITY: \$1,000,000 combined single limit per occurrence for bodily injury, personal injury and property damage, products and completed operations, including non-owned and hired automobile if not insured separately.

- B. A WORKERS' COMPENSATION AND EMPLOYERS' LIABILITY: Workers' Compensation limits as required by the Labor Code of the State of California and Employers' Liability limits of \$1,000,000 per accident; coverage shall be endorsed to state carrier waives its rights of subrogation against the City its officials, employees, agents and contractors.

- C. AUTOMOBILE LIABILITY: \$500,000 combined single limit coverage described in Insurance Services Office Form Number CA 0001 covering Automobile Liability, Code 1 "any auto" or Code 2 "owned autos," and Endorsement CA 0025. Coverage shall also include Code 8 "hired autos" and Code 9 "no owned autos"; and
 - 1. Coverage's shall be applicable to any and all leased, owned, hired or non-owned vehicles used in pursuit of any of the activities associated with this AGREEMENT.
NOTE: This Section C applies only if an owned or leased vehicle is used in conjunction with the operation of this project.

- D. SOCIAL SERVICE AGENCIES AND CLINICS PROFESSIONAL LIABILITY: \$1,000,000 limit of liability (if applicable). ¹

- E. LAWYERS' PROFESSIONAL LIABILITY: \$1,000,000 limit of liability (if applicable). ²

ENDORSEMENTS

The policies are to contain, or be endorsed to contain, the following provisions.

- 1. General Liability and Automobile Liability Coverages
 - a. The City, its officials, employees, agents and contractors are to be covered as additional insured as respects: liability arising out of activities performed by, or on behalf of, the GRANTEE; products and completed operations of the GRANTEE; premises owned, leased or used by the GRANTEE; or automobiles owned, leased, hired or

¹ Only if providing family or group therapy, interview or counseling or services. Also required if providing limited medical or psychiatric services, family therapy, domestic counseling, child guidance, etc.

² Only if providing legal services

borrowed by the GRANTEE. The coverage shall contain no special limitations on the scope of protection afforded to the City, its officials, employees, agents and contractors.

- b. The GRANTEE's insurance coverage shall be primary insurance as respects the City, its officials, employees, agents and contractors. Any insurance or self-insurance maintained by the City, its officials, employees, agents or contractors shall be excess of the GRANTEE's insurance and shall not contribute with it.
- c. Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the City, its officials, employees, agents, or contractors.
- d. Coverage shall state that the GRANTEE's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.
- e. Coverage shall contain a waiver of subrogation in favor of the its officials, employees, agents and contractors.

PROOF OF COVERAGE

Copies of all the required ENDORSEMENTS above shall be attached to the CERTIFICATE OF INSURANCE, which shall be provided by the GRANTEE's insurance company as evidence of the stipulated coverage's. This Proof of Insurance shall then be mailed to the following offices:

City of San José – Human Resources
Risk Management
200 East Santa Clara Street, 3rd Floor Wing
San José, CA 95113 - 1905
Street, 12th Floor

City of San José
Housing Department
CDBG Program
200 East Santa Clara

Attachment E: General Audit Review Process

Introduction

The financial statements can provide valuable information on the financial health of the organization and the organization's ability to manage its business. This attachment will provide descriptions of the various components of the financial statements, and the analysis to determine the financial health of the organization. The numeric information is important, however it should not stand alone. Valuable information is found within the Auditor's Report and Management Letter (if applicable), and the Notes, which will be used to complement the numeric information. Staff will review three years of financial statements to observe trends in financial performance of the agency.

Key Concepts

In the review of financial statements, staff will work under a common set of key concepts to ensure consistent review and evaluation between the various departments or units that are performing financial statement review and analysis. Financial statement review are based on these concepts, therefore a working vocabulary must be established for consistency and understanding. These concepts are:

1. **Cash vs. Accrual Basis:** Cash and accrual basis accounting are two different methods of recording income and expenses. They differ in the determination of when to recognize and record transactions in financial records.

Cash basis accounting: Income is recognized and recorded only when cash is actually received and expenses are recorded only when they are paid. If a nonprofit is working on a cash basis accounting system, this should be noted in the Notes section of the audit.

Accrual basis accounting: Income is realized in the accounting period in which it is earned, regardless of when cash is actually received. Expenses are recorded as they are owed instead of when they are paid. This method is the best practice and creates a true picture of the agency's financial status.

It important to note that some agencies maintain their day-to-day financial records on a cash basis during the year and then re-state their financials on an accrual basis for the purpose of year-end financial statements and the audit.

2. **Income Types and Restrictions:** Income received by nonprofits generally fit under two main categories:

Earned revenue: Income that the nonprofit obtained through exchange of transactions, such as fees, and government contracts. These transactions should be recorded when the revenue is earned.

Support: Grants and contributions fall under this category and are recorded based on conditions and level of restriction.

Unconditional: Contributions given without reference to any contingency or qualifying event. These contributions are recorded at the time the donor makes the commitment.

Conditional: Contributions made contingent upon a qualifying event or condition that must be met. These contributions are not recorded until the condition has been met.

Restricted Support: Grants and contributions must be recorded according to generally accepted accounting principles for nonprofit organizations. Support should be reported in the following three categories on the Statement of Activities.

Unrestricted: These grants or contributions have been given without stipulation as to how they are to be used.

Temporarily restricted: These grants or contributions have been given with a specific purpose or during a restricted period of time. Once the restriction is met or expired, the restriction is lifted.

Permanently restricted: These grants or contributions usually take the form of endowment grants/gifts. The principal of the contribution is to be invested according to the donor's wishes. The income from the investment can be either further restricted or unrestricted.

3. **Functional Classification of Expenses:** Nonprofits are required to report expenses by functional classification or activity as well as by line item. The two primary types of nonprofit activities are: 1) program services defined as activities that result in goods and services being delivered to beneficiaries, and 2) support services are defined as all activities other than program services, which include general administration, fundraising and membership development.
4. **Employee Time Tracking:** All employees should account for their time by funding source and activity. Agencies awarded CDBG funds will be required to use a timecard template provided at time of contract.
5. **Common Costs and Allocations:** These costs consist of the costs that are shared by all programs and may not be easily identified with a single program or function. Examples of such cost include office supplies, telephone, postage, occupancy, salaries of staff such as office managers and technology managers (see OMB Circular A-122: <http://clinton4.nara.gov/textonly/OMB/circulars/a122/a122.html>). Allocation is a method of distributing costs throughout the organization. Specific funding sources, like federal or State, may dictate specific methods of allocating common costs. It is imperative that cost allocation methods be reviewed with your analyst.
Four common approaches to cost allocations are as follows:
 1. Square Footage – based on the percentage of agency office square footage used for the activity
 2. FTE – based on the percentage of full-time equivalents used by each program

3. Payroll – based on each activity’s percentage of the total agency payroll
4. Program-specific costs – based on the percentage of agency costs incurred by the program before common costs are added

Using a percentage of income of each activity or program to the total income of the organization is NOT an acceptable basis since income is not an accurate measure of how resources are being used.

Capitalization and Depreciation: Items purchased by the nonprofit and used over a period of years should be capitalized and depreciated over their useful life.

- a. Capitalization means that an item is recorded as an asset instead of an expense at the time of purchase.
- b. Depreciation is a means of reducing the value of an asset over the useful life of the item.

Staff will request a copy of the nonprofit’s capitalization and depreciation policy.

Audited Financial Statements

All audits must be performed by a certified public accountant currently licensed to practice in the State of California, must conform to generally accepted auditing standards and otherwise be in a form acceptable to the City Manager. Acceptable forms include:

1. An original, bound copy signed by the certified public accountant responsible for the work, OR
2. A protected document file format (.pdf) emailed from the agency’s certified public accountant

Agencies must submit audits within 150 days from the end of the agency’s fiscal year. If this deadline cannot be met, the agency must keep the city staff informed as to the expected date of receipt and the reason for the delay.

Several reports are contained within the audit. They are as follows:

- 1. Independent Auditor’s Report:** Each set of audited financial statements will contain an Independent Auditor’s Report. This report will contain three required paragraphs, usually in the following order:
 - a. **Introductory Paragraph:** The Introductory Paragraph will provide the Auditor’s role in performing the review. It generally provides information about the time period the audit covers, responsibility over the financial statements, and the auditor’s role of providing an opinion based on their review. This paragraph also limits the auditor’s responsibility for possible inaccuracies.
 - b. **Scope of Work:** The Accounting Standards used and whether or not the agency complied with the particular accounting standards will be noted.

The accounting standards are reported to indicate that the organization is maintaining their financial records consistently with acceptable accounting rules and practices. If the auditor does not find any problems with the statements, they will simply state that the statements have been prepared “in conformity with generally accepted auditing principles” (or GAAP).

- c. Opinion Paragraph: The Auditor’s opinion is usually located within the third paragraph. The auditor will state their opinion of the financial statements. This opinion needs to be evaluated in conjunction with the financial information provided. It cannot stand alone. The opinions provided are generally:
 - Unqualified – no red flags that limit the auditor’s opinion
 - Qualified – if problems exist, auditors qualify their opinions and note the problem areas and/or areas of concern. A qualified report should also generate a discussion of the problems in the Management Letter.

Staff will review additional paragraphs that may reference information in the Audit Notes, Management Letter or Supplemental Statements. This will provide the reviewer specific concerns that must be taken into consideration during the review of the statements, such as opinion on internal controls and findings and/or questioned costs.

Other opinions or statements that need to be addressed can be:

- a. Doubt of a Going Concern – A “going concern” is an entity that appears capable of continuing to operate successfully. If there is substantial doubt that an agency has the ability to stay in business; the auditors will indicate that the agency has a going-concern problem. Problems can include ongoing losses or capital deficiencies.
- b. Internal Controls are business and accounting practices of an entity. Problems with internal controls may include:
 - Material Weaknesses
 - Significant Deficiencies (Reportable Conditions)
 - Material Noncompliance

Management Letter

The Management Letter opens a discussion with the organization’s management and the auditing team. This letter informs management of what went smoothly or what went wrong during the audited year. This letter may also refer to specific notes in the financial statements. Staff will review these notes carefully and in the context of the entire audit.

Financial Statements

There are four basic financial statements that must be included in the Audited Financial Statements. These statements reflect an organization’s financial position as part of a

complete set of statements prepared in accordance with generally accepted accounting principals.

1. **Statement of Financial Position:** Is a snapshot of the organization’s financial position as of one point in time and provides liquidity information on the nonprofit agency. This statement will include:
 - a. **Assets:**
 - **Current Assets – Assets that will be available within the next 12 months**
 - Cash
 - Accounts Receivables (A/R)
 - Other Assets
 - **Fixed Assets –Long term assets**
 - Property
 - Equipment
 - b.**Liabilities**
 - **Current Liabilities: Liabilities that will be due within the next 12 months**
 - Accounts Payable
 - Accrued Expenses
 - Current portion of long term debt
 - **Non-current Liabilities**
 - Notes Payable
 - Other Debt longer than 12 months
 - **Net Assets**
 - Unrestricted
 - Temporarily Restricted
 - Permanently Restricted
2. **Statement of Activities:** Reflects all of the organization’s financial transactions and calculations from the beginning to the end of the fiscal year, which may result in an increase or decrease in the net assets. This statement may also be identified under “Statement of Income and Expenses”. This statement will include:
 - a. **Revenue and Other Support**
 - Government and Other Support
 - Private Grants and Contributions
 - Income from fees and programs
 - b. **Expenses**
 - Program Services
 - Management and General
 - Fund Raising

- c. Net Assets Released from Restrictions
3. Statement of Functional Expenses: Reflects the organization’s expenses. Though each Grantee will have varying percentages for each category, the percentages identified below can be used as a reasonable benchmark. Different percentages may apply to some programs.
- a. Program Services (72%)
 - b. Management and General (17%)
 - c. Fund Raising (11%)
4. Statement of Cash Flows: Reflects the organization’s ability to generate positive cash flow, their ability to meet obligations and pay programmatic obligations. This statement will include:
- a. Cash flows from Operating Activities
 - b. Cash flows from Investing Activities
 - c. Cash flows from Financing Activities

Financial Ratios

Financial ratios are a good tool to use for trend analysis. This requires the review of at least three consecutive years’ financial statements. One year alone will not provide the valuable comparative information necessary to determine the agency’s financial health. The information to determine the following ratios can be obtained from the Statement of Financial Position.

1. Liquidity Ratios: Provide the reviewer a quick glimpse of the organization’s ability to meet its obligations. The question that should be asked is –“For every dollar of liability, is there an equal or greater amount available in asset?” Below are three ratios that will provide you with a moment-in-time view of the organization’s liquidity.
- a. Current Ratio: Compares the Total Current Assets (CA) to the Total Current Liabilities (CL). The Current Ratio should be at least a 1:1, or for every \$1 they owe, they have \$1 in hand or on the way. This indicates that the organization maintains sufficient liquid assets to meet their current liabilities. Current assets and liabilities are defined as assets that are available within the next 12 months and liabilities that are due within 12 months.

This ratio can be a CRISIS Indicator. A 1:1 ratio can be detrimental if they experience a delay in receivables. A 2:1 ratio is preferred but will still prove to be challenging for the agency.

Formula: Current Ratio = Current Assets

Current Liabilities

- b. Working Capital: Reflects the value of current assets available to be used as working capital, after all current liabilities are covered.

Formula: Working Capital= Current assets - Current Liabilities

- c. Cash Ratio: Reflects the organization's most liquid cash position and its ability to meet all its obligations with cash and marketable securities. Minimum ratio should be 1:1.

Formula: Cash Ratio= $\frac{\text{Cash} + \text{Marketable Securities}}{\text{Current Liabilities}}$

- d. Safety Ratios: Provide the reviewer with the organization's overall safety net. They compare the organizations total debt to the net assets or equity. A ratio of less than 1:1 reflects a more favorable position.

- i. Debt Ratio: Compares the total debt to the agency's total assets. This will identify whether or not the organization has sufficient assets to cover all of its obligations.

Formula: Debt Ratio= $\frac{\text{Total Debt}}{\text{Total Assets}}$

- ii. Debt to Equity: Compares the total debt to the agency's net assets.

Formula: Debt to Equity= $\frac{\text{Total Debt}}{\text{Total Net Assets}}$

- iii. Reserves: Compares the Unrestricted Net Assets (UNA) less fixed assets to Total Expenditures. This calculation determines how many months the agency can survive if resources cease to come in. A typical agency will maintain a reserve equivalent to 3 to 6 months of operating expense.

Formula: # Months Reserves= $\frac{\text{UNA-Fixed Assets}}{\text{Total Operating Expenses}/12 \text{ months}}$

- e. Efficiency Ratios: Are useful in determining the organization's collection effort. It can also provide you a picture of the organization's accounting department capacity and oversight.

- i. A/R Turnover: This ratio reflects the average turnover rate of the accounts receivables as compared to the annual revenue.

Formula: A/R Turnover= $\frac{\text{Annual Revenue}}{\text{Accounts Receivables}}$

- ii. Average Collection: This ratio identifies the number of days it takes a receivable to be collected. It is a good indicator of whether or not the organization is having accounting staffing issues.

Formula: Avg. Collection (Days) = $\frac{\text{Accounts Receivable}}{(\text{Annual Revenue}/365)}$

- f. Other financial indicators: Other indicators to look for:
 - i. Is total income for the year greater than total expenses for the year?
 - ii. Is their income diversified? Is the agency too reliant on a single revenue source? What if this source goes away?
 - iii. Are overhead costs appropriate? Are the total of support costs (administrative and fundraising) excessive compared to total expenses for the year? A fair range would be between 15 and 25%.

Audit Notes

The Audit Notes are a critical component to a complete and thorough audit review. The Notes provide explanations and additional detail that may surface non-compliance and potential problems with internal controls.

Audited Financial Statement Review and Analysis

Criteria
<p>Does the audit indicate it was performed in accordance with GAAP? Does the audit report complete, including: 1) auditor's report; 2) management letter with satisfactory response (if applicable); 3) statements of: a) financial position, b) activities, c) functional expenses, d) cash flow; 4) notes to financial statements; 5) schedule of findings and questionable costs (if applicable) Did the agency receive >\$500,000 in federal funds in the fiscal year audited? If so, are the following supplemental reports included: 1) summary of financial expenditures; 2) report o compliance on internal controls according to GAS; 3) report on compliance on internal controls according to OMB circular a-133 Auditor's opinion: 1) unqualified; 2) qualified; 3) doubt as a going concern; 4) findings of significant deficiencies or non-compliance</p>
<p>Total revenue / total expense ratio: Is the agency generating sufficient revenue to operate? Are revenues sufficient to cover all operating expense? Are fundraising costs reasonable for revenues generated? Is the revenue to expense ratio at least 1:1?</p>
<p>Liquidity ratios: Does the agency have sufficient liquid assets to meet its obligations? For every dollar of liability, is there an equal or greater amount available in asset? Is current ratio greater than 1:1? Is the cash ratio at least 1:1? Does the agency have a positive working capital budget?</p>
<p>Safety net: These ratios compare the agency's total debt to the net assets or equity, and measures the agency's leverage by looking at what portion of the assets come from debt financing. Questions asked include: Does the agency have a sufficient safety net? Are the debt ratio and the debt to net assets ratios <1:1? Do reserves indicate the number of months an agency can operate if all funding ceases? (A minimum of 3 months operating reserves is typical.)</p>
<p>Efficiency ratios: These ratios provide an indication of the accounting department capacity and oversight and measures the average turnover ratio of the accounts receivables as compared to the number of days it takes to collect a receivable. The question asked is: Does the agency practice adequate collections efforts?</p>
<p>Income diversification: Measures the agency's income diversification. Favorable income diversification is between 25% to 50% per category (i.e., government, private grants, foundations.) The question asked is: Is the agency to reliant on a single revenue source?</p>
<p>Overhead Costs: Measures the agency's overhead costs (administrative and fundraising). A fair range would be 15-25%.</p>

Attachment F: Outcome Performance Measurement System

The U.S Department of Housing and Urban Development (HUD) has implemented an Outcome Performance Measurement System. This process provides a framework for capturing program outcomes across grant programs that enable HUD to describe these results on a national level. The system establishes a process to identify goals and measure whether goals were achieved. It focuses on the question, “How did this program make a difference?” and strives to link budget decision-making with performance results.

1. **Objectives** – The Outcome Performance Measurement System has three overarching objectives. Objectives reflect the common ways applicants work to achieve their goals. The Objectives incorporated into the Outcome Performance Measurement System are listed below.
 - ◆ **Suitable Living Environment:** In general, this objective relates to activities that are designed to benefit communities, families, or individuals by addressing issues in their living environment.
 - ◆ **Decent Affordable Housing:** The activities that typically would be found under this objective are designed to cover the wide range of housing possibilities. This objective focuses on housing activities whose purpose is to meet individual family or community housing needs. It does not include programs where housing is an element of a larger effort to make community-wide improvements, since such program would be more appropriately reported under Suitable Living Environment.
 - ◆ **Creating Economic Opportunities:** This objective applies to activities related to economic development, commercial revitalization, or job creation.
2. **Outcomes** – Each objective has three potential outcomes. They show how programs benefit a community or the people served. Outcomes may benefit participants during or after their involvement with the program. Outcomes may relate to knowledge, skills, attitudes, values, behavior, condition, or status.
 - ◆ **Availability / Accessibility.** This outcome category applies to activities that increases or improves the availability or accessibility of services, infrastructure, housing, or shelter to low- and moderate-income people, including persons with disabilities. In this category, accessibility does not refer only to physical barriers, but also to making the affordable basics of daily living affordable, available, and accessible to low-and moderate – income people.
 - ◆ **Affordability.** This outcome category applies to activities that provide affordability in a variety of ways in the lives of low- and moderate – income people. It can include the creation or maintenance of affordable

housing, basic infrastructure hook-ups, or services such as transportation or daycare.

- ◆ Sustainability – Promoting Livable or Viable Communities. This outcome applies to projects where the activity or activities are aimed at improving communities or neighborhoods, helping to make them livable or viable by providing benefit to persons of low– and moderate–income or by removing or eliminating slums or blighted areas, through multiple activities or services that sustain communities or neighborhood.

Thus, the three objectives, each having three possible outcomes, will produce nine possible “Outcome/Objective Statements” within which to categorize grant activities.

Categories	Outcome 1: Availability / Accessibility	Outcome 2: Affordability	Outcome 3: Sustainability
Objective #1: Suitable Living Environment	Enhance Suitable Living Environment through Improved/New Accessibility	Enhance Suitable Living Environment through Improved/New Affordability	Enhance Suitable Living Environment through Improved/New Sustainability
Objective #2: Decent Housing	Create Decent Housing with Improved/New Availability	Create Decent Housing with Improved/New Affordability	Create Decent Housing with Improved/New Sustainability
Objective #3: Economic Opportunity	Provide Economic Opportunity through Improved/New Accessibility	Provide Economic Opportunity through Improved/New Affordability	Provide Economic Opportunity through Improved/New Sustainability

3. **Outputs** - are products of a program’s activities, such as the number of meals provided, classes taught, brochures distributed, or participants served. A program’s outputs should produce desired outcomes for the program participants.

Each output should relate to the intended outcome/objective of the program activities and community objectives. A complete statement has these components: Output (quantified) + Outcome (from categories above) + Activity (description) + Objective (from categories above). Combining these elements into a single sentence summarizes the community’s activities, results, intended outcomes and purpose in a way that can be related to resource inputs. Examples are provided below:

- ◆ 2,000 homeless persons have new access to shelter for the purpose of creating decent affordable housing.
- ◆ 52 households have new access to public sewers for the purpose of creating a suitable living environment.
- ◆ 50 persons have access to new jobs through the extension of a water line to businesses for the purpose of creating economic opportunity.

Each of the below six components must be addressed in Section 5 of your response:

1. **Total Number of Unduplicated Participants:** Provide the total number of unduplicated participants that will be served by the proposed project, regardless of the number of activities in which they participate. Each participant should be counted only once for the year.
2. **Activities:** This component should address a specific activity or set of activities that affect a specific group to accomplish project outcomes. An activity is what a program does with its inputs (the services it provides) to fulfill its mission. Examples are sheltering homeless families, educating the public about signs of child abuse, and providing adult mentors for youth. Program activities results in outputs.
3. **Number of Participants:** Detail the number of participants served by each activity.
4. **Number of Units of Service:** Define a unit of service for each service provided and list the number of units of service to be provided.
5. **Outcome Measures:** Outcome measures are ways to measure program outcomes. Please detail at least one outcome measure that will be used for each program outcome chosen. Describe how the project outcomes align with the HUD Objectives and Outcomes. Express your outcome measure as a percentage of clients who participated in the activity that exhibit the desired change in behavior or desired result.

Examples:

- 85% of students who attend the career preparation workshop will complete a plan for higher education or entering a career.
 - 50% of clients who attend the Let's Stay in School Program will have an absentee rate of fewer than six days for the remainder of the school year.
6. **Data Collection Method or Measurement Methodology:** Specify the method and calculation to be used to measure the agency's objective. Data collection methods include surveys, focus groups, interviews, report cards, and pre- and post-tests. **(If a survey, questionnaire, pre- or post-test will be used for outcomes, attach the applicable document to this application).**

When describing your measurement methodology, please include the frequency of collection. For example, "We will administer a survey to our participants at the end of each semester." Funded applicants will be expected to provide quarterly reports on their project's activities and unduplicated participants and semi-annual reports on their project's outcomes.

Attachment G: Project Budget Definitions and Instructions

The contract will be on a monthly cost-reimbursable basis. Reimbursements will be based on the actual expenditure of costs listed in the project's budget. **Grantees will be expected to produce receipts, cancelled checks, and supporting documents as necessary to verify expenditures.**

Personnel Services: The sum of staff salary expense to be paid by CDBG.

Fringe: Included in this line item are payroll-related costs such as FICA, health insurance and retirement benefits, Workers' Compensation, and other payments made on behalf of employee.

NOTE: Grantees must submit time distribution reports and payroll registers of all staff members whose cost will be fully or partially reimbursed by the grant funds. Time distribution reports must identify the actual number of hours spent on the grant activities. Reimbursement on percentages is not an approved method of determining personnel cost reimbursement.

Indirect Admin Staff Cost: Costs may only be submitted for projects that have a federally negotiated overhead rate or an approved rate from a Certified Public Accountant (CPA). Your application must include either a letter from the agency's "cognizant federal agency" indicating your federally negotiated overhead rate OR a letter from a CPA verifying that your overhead rate was calculated in accordance with OMB Circular A-122. The letter must also include a list of what costs are included in the overhead rate.

Office Supplies: Costs for consumable commodities, which have a useful life of one (1) year, or less, or which cost less than Five Hundred Dollars (\$500) and which render services essential to the operation of the project.

Communication: Costs for telephone, telegraph, postage, and other communication costs that are essential to the operation of the project.

Printing and Advertising: Costs for printing and duplicating services, newspaper printing by contract; and newspaper advertising which is essential to the operation of the project. Supplies such as paper or fluids for a copy machine owned or leased by the organization for project use may be charged to this category.

Travel: Cost for automobile mileage, transportation, and all necessary and ordinary travel expenses while on official project business within and outside of Santa Clara County. All out-of-state travel related to the CDBG funded project must be approved in writing, by City, prior to any expenditure for such travel. Such travel not previously approved will NOT be reimbursed.

Occupancy: 1) Appropriate portion of rental charges for real property, i.e. office space for the project attributable to this CDBG project or 2) occupancy costs for a building owned

by the recipient may be included as a budgeted item if: a) it is necessary for the services provided under this grant and b) costs are allocated among funding sources and c) the amount charged is calculated as specified in OMB Circular A-122, "Cost Principles for Non-profit Organizations."

Utilities: The prorated costs for water, gas, electric, garbage and trash collection, and similar expenses for the project.

Insurance: Prorated cost of insurance and other related services for the project.

Equipment Rental Maintenance: Rental of equipment that is essential for the operation of the project. Equipment is defined as tangible property other than land and buildings, or building improvements, having a useful life of more than one (1) year, the unit cost of which is Five Hundred Dollars (\$500) or more.

Audit Fees: Audit fees are reimbursable under an approved cost allocation plan. Agencies with federal expenditures in excess of \$500,000 are subject to conformance to OMB Circular A-133.

Ineligible Costs: Refer to OMB A-122.

Other Funds Budget: List all funding sources (city and non-city) that the agency will use to fund the project.