



COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM ADMINISTRATION

www.bethlehem-pa.gov

CITY OF BETHLEHEM 10 E. Church St. Bethlehem, PA 18018



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INTRODUCTION

This operating manual provides an overview of the management of the City of Bethlehem's CDBG Program. Since the CDBG regulations are complex and constantly changing, it is important to consult the HUD website as well as the HUD publications listed in the Table of Contents.

This operating manual is divided into four broad categories:

- I. Planning for the Next Program Year
- II. New Program Year
- III. On-Going Program Management
- IV. End-of-Year Reporting

A complete timetable of important tasks is included in Appendix A in order to assist with overall program management.

I. PLANNING FOR THE NEXT PROGRAM YEAR

Each year, the City must prepare an Annual Action Plan (AAP), which is a comprehensive document that outlines the projects for the upcoming program year. In addition, every five years the City must prepare a Strategic Plan which outlines the goals for the next five-year period (the current Strategic Plan covers the Plan Year (FY) 2020 to FY 2024). Planning for both the AAP and Consolidated Plan may occur simultaneously.

The AAP and Strategic Plan (if applicable) are due to HUD in the fall of each year; however, planning and preparation begins during the preceding summer. The following is a description of the major steps:

II. Planning Process

Advise Local Non-Profit Public Service and Affordable Housing Providers of CDBG

Application Availability: Notify interested organizations of the upcoming opportunity to apply for CDBG funds. Technical assistance is provided to help entities determine project eligibility and with the online application process. The City utilizes Neighborly Software to manage its CPD programs. Interested applicants apply online at <https://portal.neighborlysoftware.com/BETHLEHEMPA/Participant>

First Public Hearing - The first step is to hold a public hearing in the fall. The purpose of this meeting is to solicit community input on the selection of the projects for the next

program year. Notice of this open public meeting is posted on the City website and published in the newspaper 10 days prior to the event. DCED then meets to review the timetable for the program year.

Preliminary Activity List- Next, applications are organized by the Bureau of Housing & Community Development and given to the Advisory Committee members for evaluation. The Advisory Committee consists of the following City staff members: DCED Director, Deputy Director, Planning & Zoning Bureau Dir, Health Bureau Dir, Housing & Community Development Admin and Grants Manager. The Advisory Committee reviews submitted application utilizing a scoring matrix to measure activity eligibility, need and applicant capacity and develops a preliminary list of activities and a budget based on priorities set in the Strategic Plan as well as on community input. See Appendix C for Evaluation Sheet.

Draft AAP and Administrative Review– The City Mayor reviews the Advisory Committee’s funding recommendations and makes final adjustments to create Administrative recommendations to be included in the Draft AAP. Final numbers are adjusted in the Draft AAP once PY Allocations are announced by HUD.

Community Development Committee-Second Public Meeting – A second public hearing is held by the Community Development Committee to solicit any additional community input on the projects and AAP. Notice of this open public hearing is posted on the City website and sent to interested nonprofits and citizens via email 10 days prior to the event. If significant revisions are made to the activity and/or budgets, the projects must be reevaluated for eligibility.

AAP and/or Strategic Plan- The AAP and/or Strategic Plan are entered into HUD’s Integrated Disbursement and Information System (IDIS). These documents describe the planned activities as well as the expected outcomes.

AAP Public Comment Period - The AAP is made available for 30 days for public review and comment.

City Council Resolution- At the conclusion of the 30-day public input period, a recommended funding packet is prepared by staff and forwarded to City Council for review and to pass a resolution endorsing the project list and budget. See Appendix B for the AAP Council Hearing Process.

AAP IDIS Submission- Submit the AAP to HUD through IDIS before the due date.

A. Determining Eligibility of Projects

Each proposed activity must be reviewed carefully to determine if they are eligible for CDBG funding. Furthermore, the budget for the entire program year must be evaluated collectively to ensure that specific public service and administration caps in spending are not exceeded.

The following is a summary of the six steps that should be evaluated to determine the eligibility of the projects:

Step 1- Is this a New Activity? - Eligible public service activities must be a new service or a quantifiable increase in the level of service to prevent the substitution of CDBG funds for recent support of public services by the grantee using local or State government funds; however, Public Service Activities that were funded previously with CDBG are eligible for continued funding through the CDBG program.

Step 2 -Is this an Eligible Activity? - All activities must fall within a category of explicitly authorized activities in the CDBG statute. A full description of all eligible activities can be found in the Chapter 2 of HUD's CDBG Desk Guide. Every activity should fall into one of the categories in Table 1. *Eligible activities are listed in 24 CFR Part 507.201 and the statutory justification for eligibility must be documented in the file. [HUD's Matrix Code Definitions](#) are used to clarify activity classifications.*

Table 1: List of Eligible Activities	
Eligible Activities	Description
Acquisition of real property	In whole or in part, by purchase, long-term lease, donation
Disposition	Payment related to the disposition of real property acquired with CDBG funds
Public Facilities and Improvements	Including acquisition, construction, reconstruction, rehabilitation, and installation of public facilities (except government buildings)
Clearance	Including demolition, removal and movement of buildings, and improvements
Public Services	Operating costs including labor, supplies, operations and maintenance
Interim Assistance for Public Facility and Improvements	Including limited improvements to a deteriorating area as a prelude to permanent improvements and activities to alleviate an emergency condition

Relocation	Payments and assistance to persons displaced by relocation
Loss of Rental Income	Payments to housing owners for the loss of rental income incurred in holding, for temporary periods, housing units to be used for the relocation of individuals and families displaced by CDBG-assisted activities
Privately-owned Utilities	Acquire, construct, reconstruct, rehabilitate or install distribution lines and related facilities for privately-owned utilities
Rehabilitation	Finance the cost of residential, commercial/industrial and nonprofit buildings
Code Enforcement	Payment of salaries and overhead costs related to the enforcement of codes
Special Economic Development	Commercial or industrial improvements by governing jurisdiction or nonprofit, and assistance to private for-profit entities for economic development and job creation
Microenterprise Assistance	Facilitate economic development and job creation through microenterprises
Homeownership Assistance	Financial assistance for the purchase of a home
Planning and Capacity Building	Including study, analysis, data-gathering and implementation plans
Program and Administration Costs	Pay costs related to the planning and execution of community development activities with funds provided under the CDBG program

Step 3- Is this an Ineligible Activity? - The next step is to determine if the activity falls within a category of explicitly ineligible activities, despite its apparent inclusion within an authorized category. Categorically- and generally- ineligible activities are summarized in Table 2.

Table 2: Ineligible Activities	
Categorically-Ineligible Activities	Description
Buildings or Portions Used for the General Conduct of Government	This does not include the removal of architectural barriers involving any such buildings, which may be assisted under the category of public facilities
General Government Expenses	Expenses required to carry out the regular responsibilities of the unit of general local government are not eligible for assistance under this part

Political Activities	Funds may not be used to finance the use of facilities or equipment for political purposes or to engage in other partisan political activities
Generally Ineligible	Description
Purchase of Equipment	The purchase of equipment, fixtures, furnishings or other items not an integral structure fixture is generally ineligible. CDBG funds may be used for such items when necessary for use by a recipient or its sub-recipients in the administration of activities or when such items constitute all or part of a public service.
Operating Maintenance Expense	Any expense associated with repairing, operating or maintaining public facilities, improvements and services is ineligible. Specific exceptions are operating and maintenance associated with public serve activities.
New Housing Construction	
Income Payments	A series of subsistence-type grant payments made to individuals for items such as food, clothing, housing or utilities. Excludes emergency grant payments made over a period of up to three consecutive months.

Step 4- Does this activity meet a National Objective?- The next step is to determine if the proposed activity can meet one of the national objectives of the CDBG program. All activities must meet at least one of the following:

1. Provide a benefit to low- and moderate-income people;
2. Aid in the prevention or elimination of slums or blight; or
3. Meet an urgent community development need of recent origin.

Activities benefiting low- and moderate-income persons can qualify as an area, limited clientele, low/mod jobs or low/mod income housing benefit. This distinction is very important because it determines the kind of documentation required to establish project eligibility.

In the case of an area benefit, a service area must be determined for each activity. While the service area is determined by the City, HUD does provide the following guidance:

- A map documenting each service area must be kept in the project file
- The service area must be the entire area served by the activity
- Activities of the same kind that serve different areas must be considered separately on the basis of their individual service area. This means that, if the grantee has a program that provides for sidewalks to be installed throughout the entire community during a CDBG program year, it would need to break this activity down into separate activities based on the different areas that the sidewalk would serve.
- Consult the *CDBG Desk Guide* for additional information
- 51% of the population in the service area must be low/mod.

The list of clientele presumed by HUD to be principally low/mod is as follows: abused children, elderly persons, battered spouses, homeless persons, severely disabled adults, illiterate adults, persons living with AIDS, and migrant farm workers (note: severely disabled children are not presumed to be low/mod).

National Objectives are noted at 24 CFR 570.208 and a notation must be made to the project file as to the statutory justification for funding the activity.

Step 5- Determine the Public Services and Administrative Cap - After the preliminary CDBG activity list has been developed, the next step is to confirm that the budget does not exceed the Public Services or Administrative caps.

- *Public Services Cap:* The dollar amount of CDBG funds obligated within a program year to support public service activities may not exceed the sum of 15% of the annual grant allocation plus 15% of program income received during the prior year.
- *Administrative Cap:* The dollar amount of CDBG funds obligated within a program year to support overall program administration may not exceed the sum of 20% of the annual grant allocation plus 20% of program income received during the program year.

Step 6 - What are the Performance Measurements? - Performance measurements are chosen for each activity in this final step.

While this is not an evaluation criteria like the other steps, the assignment of specific performance measurements is required for the preparation of the AAP. The outcomes and objectives are described in detail in the HUD Manual, *Basically CDBG for Entitlement Communities*. There are three possible outcomes: availability/accessibility, affordability, and sustainability. Likewise, there are three possible objectives: suitable living environment, decent housing, and economic opportunity. Keep in mind the following points when choosing the Performance Measurements:

- Pick one outcome and one objective for each activity. In most cases, more than one category will apply but HUD is leaving it up to the discretion of the grantee to choose the most appropriate category.
- Proposed goals will be listed in the AAP. It is important to put realistically achievable goals in the AAP so they will be met during the program year.
- Progress on achieving the goals will be tracked through entries into IDIS during the Program Year. Final progress will be reported on in the CAPER.

B. Common Eligible Activities in the City of Bethlehem

Common Eligible Activities in the City of Bethlehem			
		Qualifies if:	Example:
Public Facilities	L/M Area Benefit	The benefits of the public facility or improvement will be available to all residents in a particular area, and at least 51% of those residents are L/M persons	Paving of streets and installation of curbs, gutters and sidewalks in a predominantly L/M income neighborhood
	Limited Clientele	The public facility or improvement will be used for an activity designed to benefit a particular group of persons at least 51% of whom are L/M income	Rehabilitation of a building to be used as a center for training severely disabled persons to enable them to live independently
Public Services	L/M Area Benefit	The public service is available to all the residents in a particular primarily-residential area, and at least 51% of those residents are L/M income persons	Increased police and fire protection services in a predominantly L/M income neighborhood
	Limited Clientele	The public service is limited to a specific group of people, at least 51% of whom are L/M income persons. Services qualifying under this category serve a specific clientele, rather	Provision of meals to the homeless

		than providing service to all the persons in a geographic area.	
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C. Documenting Activity Eligibility & National Objectives

All persons assisted with CDBG funds must be low-to-moderate income unless clients have "Presumed Benefit" status. In order to document eligibility, an income verification form must be completed by each client. If the client is under the age of 18, the form should be completed by the client's parent or legal guardian. Unless subrecipient clients are presumed by HUD to be low-income (see Note: Presumed Benefit, following), actual verification of the household income must also be provided.

Documentation of income must be obtained for each client prior to providing services from CDBG. A recent pay stub, showing year-to-date income (including overtime), is an acceptable means to do this. Using the pay stub, you can then project their income forward for 12 months to determine annual income for purposes of the grant. If they were paid in cash, and no other documentation can be produced, the client must sign a form, under penalty of perjury, stating their income. The client should be made to understand that they are signing a legal document, and that they are certifying the truth of the information in the entire document.

Alternatively, income eligibility may be determined by provisions set forth in 24 CFR 570.506(b).

Presumed Benefit: Clients who are abused children, battered spouses, elderly persons (age 62 and up), severely disabled persons (see the CDBG Eligibility Certification Form Instructions for this definition), homeless persons, persons with AIDS, illiterate persons, or migrant farm workers are presumed by HUD to be low-income. If you provide service only to persons in these categories, you do not need to maintain income records.

1. National Objective: Activities Benefiting Low/Moderate

Criteria for Activities Benefiting Low/Moderate:

CDBG applications must document how each funded activity will principally benefit low- and moderate-income (L/M) persons. L/M persons/households are those that are at or below 80% of Area Median Income (AMI). In addition, HUD requires that income information be provided by income levels as follows:

- Extremely Low Income = 0 – 30% of AMI
- Low Income = 31 - 50% of AMI
- Moderate Income = 51 – 80% of AMI

- Over income = 81% and above of AMI

The sub-recipient must indicate the income levels of the potential beneficiaries of CDBG funding at the time of application submission to ensure that at least 51% of the beneficiaries' meet HUD guidelines.

Based on CDBG regulations, there are four categories for L/M benefit:

- Area benefit activities
- Limited clientele
- L/M Housing
- L/M Job creation or retention

2. National Objective: Area Benefit Activities

To be CDBG eligible as an area benefit, you must document at least 51% of the residents in the service area are L/M persons. Examples of area benefit activities include street improvements, water and sewer lines, neighborhood facilities, and façade improvements in neighborhood commercial districts. It is important to clearly establish and document the proposed project's service area.

The first and very important step is to clearly determine the boundaries of the proposed service area and the population to be served.

Records to be maintained:

There are two ways to document Area Benefit:

- Census data - When the service area is the Census Tract Block Group boundaries
 - List the census tract/block groups for the service area and the L/M percentages from HUD's data;
 - Provide a map of the service area demonstrating the correlation between the service area boundaries and the census boundaries.
- CDBG income survey - When the service area is a portion of, overlaps, extends beyond or is not in the CT boundaries an income survey must be conducted. Since some projects for smaller service areas can be considered as a benefit to the entire community or system, contact the Department of Community and Economic Development staff to discuss the project before conducting an income survey. Required documentation when using Income Survey data:
 - Complete the Income Survey Worksheet;

- Provide a sample of the survey tool, tallying the number of responses by household size;
- Submit a written description of the survey process, describing how the survey population was defined and efforts to ensure randomness.

Survey methodology and instruments must be approved by HUD Philadelphia Office and must meet the requirements stipulated in [CPD Notice 14-013](#).

3. National Objective: Limited Clientele

These activities directly target services to lower income persons or benefit a limited number or specific group of people as long as at least 51% of those served are L/M persons (rather than everyone in an area). 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 individuals with disabilities.

Records to be maintained:

- Presumed L/M:
 - If activities exclusively benefit a clientele who are presumed by HUD to be principally L/M persons (abused children, battered spouses, illiterate persons, elderly persons, homeless persons, migrant farmworkers, severely disabled adults (meeting Census' definition) persons living with the disease AIDS), it can be presumed, without requiring a survey or income verification, that the activity will be providing a 51% benefit to L/M persons.
 - Describe how the project exclusively benefits a "presumed benefit" special group, or describe the process for income qualifying households that will result in the project principally benefiting L/M persons;
- For other Limited Clientele Activities:
 - Describe the process for income qualifying households,
 - If an income standard other than L/M limits is used, show how the other income standard falls within the L/M limits;
 - Breakdown the total number of persons to benefit by those at the very low (30%), low (50%) and moderate (80%) income levels.

4. National Objective: Low Mod Housing

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:

- One-unit structures must be occupied by low- and moderate-income households.
- Two-unit structures must have at least one unit occupied by a low- and moderate-income household.
- Structures containing more than two units must have at least 51 percent of the units occupied by low- and moderate-income households.
- Rental buildings under common ownership and management that are located on the same or contiguous properties may be considered as a single structure.
- 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.
- Assistance to reduce the development cost of the new construction of non-elderly, multi-unit rental structures may qualify if: a) at least 20% of the units are occupied by low- and moderate-income households; b) where low- and moderate-income occupancy is between 20% and 51%, the CDBG proportion of the total development costs (including the costs of all work from design and engineering through completion of the physical improvements).

Records to be maintained:

- Describe the process for income qualifying households and ensuring residency
- Breakdown the total number of households to benefit by those at the very low (30%), low (50%) and moderate (80%) income levels
- A description 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; and
- 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
- 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.

5. National Objective: Low Mod Jobs

Job creation activities that directly result in the creation or retention of jobs, at least 51% of which, on a full-time equivalent (FTE) basis, (calculated cumulatively as all hours worked divided by 40 hours basis), are documented as being held by L/M persons at the time CDBG assistance is provided or will be offered to L/M persons after the assistance.

Records to be maintained:

When assistance is provided to a business, the subrecipient must have on file for monitoring by the City or HUD a written agreement in which that business agrees:

- To keep or create a specific number of jobs and identifies each such job by type and whether the job will be full- or part-time; and
- A listing by job title of the permanent jobs to be created (identifying which are part-time, if any); and
- A listing by job title of the permanent jobs filled and which jobs were *initially taken* by low- and moderate-income persons; and
- The actions the business and the sub-recipient will take to ensure that at least 51% of the jobs created or retained will benefit L/M income persons; and
- A description of the recruitment and hiring process; and
- The businesses Dun & Bradstreet Data Universal Numbering System DUN S® number; 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.

The sub-recipient's program records also must document which jobs were actually created and retained, whether each such job was held by, taken by, or made available to a L/M income person, and the full-time equivalency status of each job. The information shall be provided to the City or HUD on request.

1. With respect to jobs that will be held by L/M income persons, the records must show:
 - A listing by job title of the specific jobs to be created.
 - A listing by job title of the jobs filled.
 - The name and income status of the person who filled each position.
 - The full-time equivalency status of the jobs.
2. Where L/M income benefit is based on job retention, the files must also include the following documentation.
 - Retention:
 - Proof that without CDBG aid, the job would otherwise be lost. The specific evidence that the sub-recipient relied on in concluding that, in the absence of CDBG assistance, the jobs would be lost.
 - 1) A listing by job title of permanent jobs retained, those jobs known to be held by L/M income persons at the time CDBG assistance was provided, and the full-time equivalency status of each such job; and 2) Information on the family size and annual income of each such L/M income person.
 - Turnover jobs:
 - Identification of any of the retained jobs (other than those known to be held by L/M income persons) projected to

become available to L/M income persons through turnover within two years of the time CDBG assistance was provided.

- The basis upon which the job was determined to be likely to turn over within two years following the CDBG assistance.
- The date the job actually turned over.
- The name and income status of the person who filled the vacancy.
- Information on the family size and annual income of each such L/M income person hired.

6. National Objective: Activities to Prevent or Eliminate Slum or Blight

If the primary purpose of the project is to prevent or eliminate slum or blight, the funded project may address these issues without specifically principally benefitting low- and moderate-income persons.

Criteria for Activities to Prevent or Eliminate Slums or Blight: Activities that address the prevention or elimination of slums or blight may be classified on:

- An Area Basis
- A Spot Basis
- An Urban Renewal Basis

Prevention or Elimination of Slums or Blight on an Area Basis: In order to qualify under the National Objective of slums/blight on an **Area Basis**, an activity must meet **all** of the following criteria:

- The area must be designated as a slum/blight area by the City and must meet the definition of a slum, blighted, deteriorated or deteriorating area under state or local law.
- A substantial number of deteriorated or deteriorating buildings or public improvements must be located throughout the area.
- Documentation must be maintained by the subrecipient on the boundaries of the area and the conditions which qualified the area under this objective at the time of designation.
- The activity must address one of the conditions which contributed to the deterioration of the area.

Potentially eligible activities include assistance to commercial or industrial businesses, public facilities and improvements, and code enforcement, provided the assistance is designed to address one or more of the specific conditions which qualified the area.

Records to be maintained:

- The date of designation of the area and its boundaries; and
- A description of the conditions which qualified the area at the time of its designation in sufficient detail to demonstrate how the area met the criteria for designation; and
- A description of the activity showing how it addressed a condition which led to the decline of the area. Each activity must also be supported by documentation that shows how the buildings or parcels qualify under the City's definition of substandard.
- A pre-rehabilitation or acquisition inspection report describing the deficiencies in each parcel to be rehabilitated, acquired or improved; and
- Details and scope of the CDBG-assisted activity, by structure (including the information needed to show that any deficiencies making the building substandard were eliminated prior to less critical work being done).

7. National Objective: Prevention or Elimination of Slums or Blight on a Spot Basis:

In order to qualify under the National Objective of prevention or elimination of slums or blight on a **Spot Basis**, the activity must meet the following criteria:

- Be designed to eliminate specific conditions of blight or physical decay at a specific location not necessarily incorporated in a slum or blighted area; and
- Be limited to acquisition, clearance, relocation, historic preservation or building rehabilitation to eliminate specific conditions detrimental to public health and safety.

Potentially eligible activities under the objective to prevent or eliminate slums or blight on a Spot Basis include the removal of faulty wiring or falling plaster, historic preservation of a public facility, and demolition of a vacant, deteriorated, (non-historic) abandoned building.

Records to be maintained:

- A description of the specific condition of blight or physical decay treated; and
- A description of the assisted activity showing that it falls under one of the activity types that are eligible to be carried out under this sub-category.

For rehabilitation of a building carried out as *Slums or Blight on a Spot Basis*, a description for each assisted structure showing the specific conditions that posed a threat to public health and safety and details of the scope of CDBG-assisted rehabilitation, indicating that it was limited to addressing a specific condition that posed such a threat must be included.

III. THE NEW PROGRAM YEAR

This section of the manual outlines the tasks that must be completed at the beginning of the Program Year in January.

A. Release of Funds/Environmental Review Record (ERR)

At the start of the Program Year, the municipality prepares an ERR to ensure that projects funded with federal CDBG funds will not have a negative impact on the environment or historical resources. The City utilizes the HUD Environmental Review Online System (HEROES) to complete the environmental review process.

Once the determinations have been made, and the public has an opportunity to review the findings, and comment on them if they desire, a Request for Release of Funds is submitted to HUD. Once the City receives an Authorization to Use Grant Funds, the environmental review process may be marked complete. Exempt activities do not require a Request for Release of Funds.

B. Set-Up Activity – Activity Files and IDIS

Before any funds can be spent on a new activity, the following preparation must be taken:

Step 1- Activity File:

This Activity file includes all information on the activity including a description of the activity, the HUD matrix code, outcome and objective, projected number assisted, and the amount budgeted for the project.

Step 2: Activity Documentation:

Appropriate documentation for each activity will be kept in each activity file. The documentation required for different types of activities is summarized below:

- Area Benefit- Relevant census data showing number of low and moderate income persons .
- Limited Clientele Activity (choose one) - Documentation that the service or facility will be exclusively used by population presumed to be low/mod; or sample application used to document size and annual income of each person in household; or documentation that the nature and location of the activity establishes that it will be used by low/mod individuals; or removal of architectural barriers documentation.

- Housing Activity- Sample application used to document size and combined income of household.

Step 3 - Sub Recipient:

Additional documentation is required if an activity will be carried out by a Subrecipient rather than the City of Bethlehem. A signed Subrecipient Agreement must be on-file between the City and the organization and must be executed after the completion of the environmental review. The agreement stipulates the amount of the grant as well as the services to be provided by the organization. Additionally, a Memorandum of Understanding must be signed by City departments receiving CDBG funds for projects. Additional information can be in the HUD Guide, *Managing CDBG: A Guidebook for CDBG Grantees on Sub-recipient Oversight*.

Step 4: IDIS Set-up:

After the activity files are established and required documentation is assembled, each activity must be set- up in HUD's IDIS system. Consult HUD's current IDIS manual regarding IDIS questions. In general, there are three steps to setting up new activities each year: set up the project; set up the activity; and fund the activity.

IV.ON-GOING PROGRAM MANAGEMENT

In addition to carrying out the day-to-day monitoring of the specific activities, several other program management tasks must be conducted throughout the year to ensure full compliance with CDBG rules and regulations.

A. Program Subrecipient Monitoring

Who are CDBG Subrecipients?

Subrecipients (sometimes referred to as “subgrantees”) are entities that are provided CDBG funds by a grantee for their use in carrying out agreed-upon, eligible activities. There are three basic kinds of subrecipients:

- *Governmental agencies* are public agencies, commissions, or authorities that are independent of the grantee’s government (for example, a public housing authority or a park district). Grantee public agencies undertaking CDBG assisted activities are subject to the same requirements as are applicable to subrecipients (§570.501(a)).
- *Private non-profits* are usually, but not always, corporations, associations, agencies, or faith-based organizations with non-profit status under the Internal Revenue Code

(Section 501(c)(3)), usually with a board of directors and an executive director in charge of daily administration. Examples of private non-profits include private social services agencies (such as those providing job training or counseling, or day care providers), Community Development Department corporations, faith-based housing development groups, and operators of homeless shelters.

- A limited number of *private, for-profit entities* can qualify as subrecipients when facilitating economic development by assisting microenterprises under the provisions of 24 CFR §70.201(o).

Program Monitoring Goals:

- To review sub-recipient agencies to determine if services are being delivered in accordance with contract requirements as to type of services and number of units of service.
- To review records of sub-recipient agencies to determine if systems are in place to properly document the provision of services, client eligibility, and compliance with any other contract requirements.

Fiscal Monitoring Goals:

- To review sub-recipient agencies to determine if expenditures of allocated funds are being made in accordance with contract requirements.
- To review records of sub-recipient agencies to determine if systems are in place to properly document financial transactions, the use of allocated funds, use of program income, and any other contract requirements. Program and fiscal monitoring may or may not be scheduled concurrently. In some cases it may be necessary to perform a follow up monitoring visit.

Program Monitoring Process

In preparation for the monitoring visit, have the assigned monitor(s) review all the written data you already have in-house, such as:

- The subrecipient's application for CDBG funding;
- The written agreement with the subrecipient;
- Progress reports;
- Drawdown requests;
- Documentation of previous monitoring; and
- Copies of audits

The Housing and Community Development staff will contact the subrecipient to arrange for a monitoring visit. The subrecipient will be informed regarding the initial records to be reviewed. These records should be ready for review upon the monitor's arrival and available at the working space set up for the monitor.

The status of all activities should be monitored at least four times a year in order to collect data, ensure CDBG funds are spent in a timely manner, and for quality assurance purposes. The program year has been divided into the following four quarters:

- **Quarter 1** covers the period between January 1 – March 31. Monitoring reports are due from subrecipients by April 30.
- **Quarter 2** covers the period between April 1 – June 30. Monitoring reports are due from subrecipients by July 31.
- **Quarter 3** covers the period between July 1 – September 30. Monitoring reports are due from subrecipients by October 31.
- **Quarter 4** covers the period between October 1- December 31. Monitoring reports are due from subrecipients by January 31.

A cumulative annual report is due from subrecipients by January 31 of each year. Copies of audits are due to the Department of Community & Economic Development in October of each year.

The major components of the quarterly monitoring are described further below.

Data Collection: HUD requires a variety of data (income, race, number served, etc.) be collected for all activities. This data should be collected and entered into IDIS on a quarterly basis. The data collection form for each activity should be kept in the activity file.

Schedule: The schedule of all activities should be reviewed on a quarterly basis. If an activity is behind schedule, it may be necessary to revise the schedule or reprogram funds if the delays are expected to continue. Notes regarding the schedule changes should be made in the activity file.

Quality Assurance: The Housing and Community Development Administrator will review the activity files on a quarterly basis. This review will include a review of required documentation, schedule, and data collection.

The City may alternately implement virtual monitoring procedures to meet these requirements.

B. Reprogramming Funds

The City of Bethlehem is required by statute to use their CDBG funds in a timely manner. The CDBG timeliness standard requires that the City have no more than 1.5 times the amount of its last annual grant in its CDBG line-of-credit 60 days prior to the end of the current program year.

The quarterly review of all activities will ensure that funds are spent in a timely manner. Follow the steps below if it is determined that the reprogramming of funds is necessary:

- **Determine Budget:** Determine the dollar amount of funds to be reprogrammed
- **Public Input:** In keeping with the City's Citizen Participation Plan, hold a public meeting to solicit community input on the selection of the projects. Notice of this open public meeting should be published in the newspaper 10 days before the event (sample public notice language is in Appendix B).
- **Preliminary Activity List:** Next, develop a list of proposed activities. These can be existing activities in need of supplementary funding of new activities not previously identified in the AAP. All projects should be evaluated in the same manner described in Section I. This includes recalculating the Public Services and Administrative Caps.
- **Amend AAP:** The AAP should be amended to reflect the changes
- **Public Input on Revised AAP:** The public should be given 30 days to review the revised AAP.
- **Pass Council Resolution:** Pass Council resolution listing how the funds will be reprogrammed.
- **IDIS Changes:** Make changes in IDIS. Add new projects and close completed projects.
- **Transmit Revised AAP to HUD**

V. END-OF-YEAR REPORTING

A. CAPER

The Program Year ends on December 31 each year. The final report for the program year, the CAPER, is due to HUD by March 31. Like the AAP, the narrative portion of this report should be completed using IDIS. Several IDIS reports are included in the report. **Performance**

Measurements data must be collected for all open projects. As a result, it is imperative that all inactive IDIS projects be closed and that all accomplishment data is up to date.

The CAPER should be made available for public review for 15 days. Notice of this public review will be posted online and should be placed in the newspaper. The CAPER is submitted to HUD via IDIS at the conclusion of the public review period.

B. Minority Business Enterprise Report

The Minority Business Enterprise (MBE) Report should be submitted to HUD at the end of the program year. Further information on the use of MBE/WBE entities is found in the Labor Standards section of this manual.

C. Financial Management, Procurement & Contracting

Part 200 for government sub-recipients and 24 CFR 92.508 outlines the financial management and reporting systems for CDBG grant recipients. These requirements have been established to make sure that sub recipients have a financial management system that: 1) provides effective control over the accountability for all funds, property, and other assets, 2) ensures "reasonableness, allowability, and allocability" of costs and verify that expenses have not violated any federal restrictions or prohibitions, 3) permit the accurate, complete, and timely disclosure of financial results in accordance with reporting requirements of the grantee or HUD, and 4) minimize the time elapsed between transfer of funds from the U.S. Treasury and disbursement to the sub-recipient. These provisions are included in all subrecipient contracts.

Internal Controls

Internal controls include a combination of procedures, specified job responsibilities, qualified personnel, and records that together create accountability in an organization's financial system and safeguard its cash, property, and other assets. Such controls make sure that: 1) resources are used for authorized purposes and in a manner consistent with applicable laws, regulations, and policies, 2) resources are protected against waste, mismanagement, or loss, and 3) reliable information on source, amount, and use of resources are secured up-to-date, and recorded. Additionally, internal controls will ensure that no one individual has authority of an entire financial transaction.

Audit Requirements & Accounting Standards

Single Audit. All agencies expending \$750,000 or more in federal funds must have an audit conducted, as detailed in the circular, at least nine (9) months after the close of the sub-recipient fiscal year. HUD requires the City of Bethlehem to obtain the audit at or before the nine month period ends. All agencies that fall within this category should

submit their audits to the Community & Economic Development Department within the aforementioned time period.

Other Audit Requirements. If sub-recipients expend less than \$750,000 a year in federal awards, it is exempt from the audit requirements for that year; however, records must be available for review or audit by appropriate officials of the City, HUD, and the Governmental Accountability Office. The audit must comply in all respects with the generally accepted auditing standards of the American Institute of Certified Public Accountants, the standards for financial and compliance audits contained in the standards for Audit of Governmental Organizations, programs, activities and functions issued by the U. S. General Accounting Office. Subrecipients shall advise the City's Bureau of Housing and Community Development in writing regarding who will conduct their audit. Subrecipients are required to maintain books, records, and documents in accordance with generally accepted accounting procedures and practices that sufficiently and properly reflect all revenues and expenditures of funds provided by the City under their contracts.

Accounting

Sub-recipients must have accounting records that adequately identify the sources and application of CDBG funds. Simply stated, they should have 1) a chart of accounts which includes general assets, liabilities, expenses, and revenue, 2) a cash receipts and disbursements journal, 3) a payroll journal, and 4) a general ledger.

For CDBG funds, records must contain reliable and up-to-date information. The information should at least include:

- Federal grants received by the sub-recipient.
- Current authorizations and obligations of CDBG funds.
- Unobligated balances (funds remaining available for distribution).
- Assets and liabilities.
- Program Income (if any).
- Actual outlays or expenditures, with a breakdown of i) the grant program the funds were derived from and ii) "eligible activity" which clearly indicate use of program funds are for eligible activities.

Allowable Costs

All costs incurred as a part of CDBG financed activities must adhere to the following:

- The expenditure must be necessary, reasonable, and directly related to the grant.
- Authorized by the City of Bethlehem via the budget that was approved in the contractual agreement between the Township and the subrecipient.
- Expenditure cannot be prohibited under 2 CFR 200, as applicable to each organization.

Federal Regulations Governing Management and Financial Systems

The below regulations are applicable to both the City of Bethlehem and all subrecipients:

- Sub-part J (24 CFR 570.500 - 570.513) covers general responsibilities of CDBG grant administration, including uniform administrative requirements, provisions of sub-recipient agreements, program income, use of real property, record-keeping and reporting, and closeout procedures.
- Sub-part K (24 CFR 570.600 - 570.614) deals with other CDBG program requirements including civil rights, labor standards, environmental standards, flood insurance, relocation, displacement, acquisition, employment and contracting opportunities, lead-based paint, use of debarred, suspended or ineligible contractors, uniform administrative requirements and cost principles, conflicts of interest and the American Disabilities Act.

Non Profit Organizations

- 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, And Audit Requirements For Federal Awards: This document establishes principles for determining costs that are allowed to be charged to federal grants, under contracts, and other agreements with non-profit organizations and,
- 24 CFR Part 84, "Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations": This document specifies standards relative to pre-award requirements, financial and program management, property standards, procurement standard, reports and records, termination and enforcement, and closeout procedures.

D. Procurement

The federal government has set standards and procedures for procurement that are intended to ensure that supplies, equipment, construction and other services acquired in whole or part with federal funds are 1) obtained as efficiently and economically as possible and 2) procured in a manner that provides, to the maximum extent practical, open and free competition. All solicitations must clearly explain all the requirements that the bidder must fulfill in order for

your sub-recipient to evaluate the bid. Goods and services solicitation must be clear and accurately describe the material, product or service to be procured. Furthermore, the solicitation must not contain features which unduly restrict competition. All procurement must comply with standards set out in 2 C.F.R. sections 200.318 – 200.326.

Examples of restricting competition include but are not limited to:

- Placing unreasonable qualifying requirements on firms.
- Requiring unnecessary experience and excessive bonding.
- Specifying only "brand name" products instead of allowing "an equal" product.
- Noncompetitive pricing practices between firms and affiliated companies.
- Noncompetitive awards to consultants on retainer contracts.

All awards must be made to the bidder whose bid is responsive to the solicitation and most advantageous to the sub-recipient. Any and all bids may be rejected when it is in the interest of the sub-recipient to do so. The sub-recipient must ensure that the award is only made to responsible contractors possessing the ability to perform successfully under the terms and conditions of the proposed procurement.

Debarred Contractors

HUD maintains a list on their web site of contractors who have been barred from competing for HUD contracts. Before awarding a bid, the sub-recipient must check the web site [Federal Excluded Parties List](#) website to be sure that its contractor is not on the de-barred list. **For any contractor on the de-barred list, the use of CDBG funds is prohibited.** Print the HUD web page that states that no record was found regarding your contractor and place it in your files.

General Purchasing

Purchases may be made with the use of CDBG funds. The purchase must be:

- Required for the success of the program which you have been funded
- An allowable cost as determined within the contractual agreement between the City of Bethlehem and the sub-recipient.
- All purchases must be accompanied by proper source documentation;
 - a. An invoice, and/or sales receipt and
 - b. Copies of checks or charge slips to verify that the sub-recipient paid for the items at hand. It is imperative that agencies keep a log of purchases charged to the grant.

Methods of Procurement

The appropriate method of procurement is determined by the aggregate dollar amount of goods or services acquired from a single source. Items purchased with CDBG funds, in whole or part, may not be categorized into activities in order to avoid these requirements. The following sections describe each method in further detail.

Micro Purchases

Under the micro-purchase method, the aggregate dollar amount does not exceed \$3,000 (\$2,000 in the case of acquisition for construction subject to the Wage Rate Requirements (Davis-Bacon Act)). Micro-purchases may be awarded without soliciting competitive quotations if the City and subrecipient considers the price to be reasonable (2 CFR section 200.320(a)). Subgrantees are reminded that the City of Bethlehem's threshold for obtaining competitive quotes for procurement of items is \$5,000.

Small Purchases

The small purchase procedures allow recipients to acquire goods and services totaling no more than **\$100,000**, without publishing a formal request for proposals or invitation for bids. This method of procurement is typically used to purchase commodities such as equipment or other materials. In the highly unlikely event that a recipient is purchasing materials that will exceed \$100,000, they must use the sealed competitive bid process. The small purchases method can also be used to acquire eligible types of services, such as professional consulting, environmental review, or planning. This method cannot be used if the services contract will exceed \$100,000 in value. If the services contract will exceed \$100,000, the recipient must issue an RFP under the competitive proposals approach (see below). **Note that engineering and architectural services cannot be procured using the small purchase method and must always be acquired using the competitive proposal approach.**

In general, the small purchase procedures also cannot be used to acquire construction contractors. These acquisitions must occur under the competitive sealed bid approach outlined below. The only exceptions to this rule are instances when the recipient is directly contracting for owner-occupied single-family housing rehabilitation where the total cost of that rehabilitation will not exceed \$100,000. Note: if the individual homeowner procures and selects the contractor, 24 CFR Part 85 is not applicable.

- Under the small purchases method, recipients send a written request for quotes to potential vendors with a detailed description of the goods or services needed. In return, they receive competitive written quotations from an adequate number of qualified sources. Since this process does not require a public advertisement,

written quotes must be received in response to written solicitations from an adequate number of qualified sources. Each quote must include pricing information that allows the recipient to compare costs across bidders and ensure cost reasonableness.

- Documentation of the quotes shall be attached to the purchase requisition and maintained in the recipient's files.
- The award shall be made to the lowest responsive and responsible source.

Competitive Sealed Bids (Formal Advertising)

Competitive sealed bids (Formal Advertising) should be used for all construction contracts or for goods costing more than \$100,000. As noted above, the only exceptions to this rule are owner-occupied housing rehabilitation projects where the total cost does not exceed \$100,000. These projects may be conducted under the small purchases method.

Competitive sealed bidding requires publicly solicited sealed bids and a firm-fixed-price contract (to include unit price and quantities) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is lowest in price.

In order for formal advertising to be feasible, the following minimum conditions must be present:

- A complete, adequate and realistic specification or purchase description is available.
- Two or more responsible suppliers are willing and able to compete effectively for a recipient's business.
- The procurement lends itself to a firm fixed-price contract, and the selection of the successful bidder can appropriately be made principally on the basis of price.

When the competitive sealed bid (formal advertising) process is used, the following requirements apply:

- Publication Period: The invitation for bids must be publicly advertised **and** bids directly solicited from competent vendors. The publication should be published at least one time in a newspaper of general circulation 30 days prior to bid opening and/or published in the Dodge Room/Associated General Contractors (AGC) or other trade publication of general circulation. If the publication period is not of sufficient time to attract adequate competition, the bid will have to be re-advertised.

A shortened bid period may be requested in advance and will only be approved by Grants Administration when there are extenuating circumstances. Examples of such circumstances include:

- The project has been bid several times, documentation exists for each bid, and other funding is in jeopardy.
- The project must get underway or be completed in order to meet the timeline of an industry which has committed to begin operations and create jobs.
- There is a local emergency affecting health and safety which will be addressed once the project is complete.
- Bid Advertisement: The advertisement should indicate that it is an Invitation to Bid and that project funding is being provided by CDBG and that federal requirements will apply to the contracts. It should also include the title of the project and brief scope of work, the name of the procurement entity, how to get copies of technical specifications and bid package, submission instructions and deadlines, public bid opening date, time and place (competitive bids) and any other appropriate instructions.
- Clear Definition: The invitation for bids, including specifications and pertinent attachments, must clearly define the items or services needed in order for bidders to properly respond to the invitation. The bid package must also include all contractual terms and conditions applicable to the procurement.
- Itemized Costs: Bids must show the quantity and cost of each line item. Lump sum bids and/or bid items that are not specifically identified or are generally grouped as “miscellaneous” or “contingency” are not allowed.
 - Bids for buildings should include itemized costs for each structural building system (i.e. framing, electrical, plumbing, etc.)
 - Bids for water/sewer service connections must be included as a separate division (and also separated on pay requests).

E. Contracting

All contracts using federal funds must comply with standards in CFR section 200.326, “Contract Provisions for Non-Federal Entity Contracts under Federal Awards”. Additionally, federal regulations make it very clear that a sub-recipient should make every effort to use local business firms and contract with small, minority-owned, and/or women-owned businesses in the procurement process. A sub-recipient must take affirmative steps to use

small firms, minority-owned firms, women-owned firms, or labor surplus firms. Steps should include:

- Incorporating such business in solicitation lists whenever they are potential sources.
- Ensuring that such businesses are solicited when identified as potential sources.
- Requiring prime contractors, when subcontracts are let, to take affirmative steps to select such firms.
- In conformance with Section 3 of the Housing and Community Development Act of 1968, to the greatest extent feasible, sub-recipients must award contracts for work to be performed to eligible business concerns located in or owned by residents of the target area. This helps ensure that the employment and other economic opportunities generated by federal financial assistance for housing and community development programs shall, to the greatest feasible extent, be directed toward low and very low-income persons. Sub-recipients should note, however, that the desire to award contracts to local firms is not a legitimate excuse for avoiding an open and competitive bid process.

Land and Building Purchases

Acquisition of real property in connection with community development activities must meet applicable laws and regulations set forth in 24 CFR Part 570.602, Relocation and Acquisition, and 24 CFR Part 42. The applicable laws and regulations were put in place to insure fairness throughout the acquisition process with respect to both property owner and government agency.

To arrive at a fair compensation figure for real property to be acquired, the property must be appraised by a qualified appraiser and the owner of the property must be given the opportunity to accompany the appraiser. In the event the fair market value of the property exceeds \$2,000 the appraisal must be reviewed by a qualified staff or independent review appraiser. When the property exceeds \$25,000 in value, HUD encourages at least two independent appraisals at the initial level, followed by the review process.

Additionally, the Federal regulations in 42.107 (b) (c) and (d) establish general standards for appraisals, require supporting documentation, and forbid the use of appraisers who may have any interest in the property to be appraised or who would in any way have an interest that would conflict with the performance of the appraisal.

Vacant Property or Building

Sub-recipients may purchase property if, before the seller enters into the contract of sale, the sub-recipient informs the seller in writing of the following:

- That the sub-recipient does not have the power of eminent domain and therefore will not acquire the property if negotiations fail to result in an amicable agreement; and
- Of the sub-recipient's estimate of the fair market value of the property. An appraisal is not required; however, sub-recipient files must include an explanation, with reasonable written evidence, of the basis for the estimate. Whenever feasible, this information shall be provided before making the purchase offer. In those cases where there is an existing option or contract, the seller must be provided the opportunity to withdraw from the agreement after this information is provided. Additionally receipt of the letter must be documented. A return receipt from the post office will suffice.

Non-Vacant Property or Buildings

If the land or building is not vacant, there are additional requirements pertaining to relocation assistance which must be met at the time the owner is first approached about selling the property.

The acquisition of real property for a CDBG-assisted project and the displacement of any person (family, individual, business, non-profit organization or farm) as a direct result of acquisition, rehabilitation, demolition or conversion for a CDBG-assisted project must comply with 24 CFR 670.606 and 49 CFR part 24. The Subrecipient must also conduct its CDBG activities so as to minimize displacement, and if displacement occurs, the displaced persons or entities must be provided assistance consistent with the Uniform Relocation Act, as amended, or Section 104(d), as applicable. In addition, there must be a one-for-one replacement of any occupied (or vacant, occupiable) low- and moderate-income dwelling that is demolished or converted to another use in connection with a CDBG-funded activity.

Insurance and Indemnification

Each sub-recipient must procure and maintain insurance for the duration of the contractual agreement between the City of Bethlehem and the sub-recipient. Insurance against claims for injuries to persons or damages to property which may arise from or in connection with the services performed or to be performed by sub-recipient, its agents, representatives, employees, volunteers, officers, director, or subcontractors. Each sub-recipient must provide adequate proof of insurance prior to signature of the contract for funding.

F. LABOR STANDARDS COMPLIANCE

Appointment of Labor Standards Compliance Officer

The Grantee will ensure compliance with all following applicable labor standard requirements prior to the start of any construction activity:

- A. Davis Bacon Act. All laborers and mechanics employed by construction contractors or sub-contractors under contract in excess of \$2,000 financed in whole or in part with grants or loans under the CDBG Program shall be paid wages at rates not less than those prevailing on similar construction. The Davis-Bacon Act as amended (40 USC Part 276a; 29 CFR Parts 1, 3, 5, 6 and 7) applies to the rehabilitation of residential property only if such property equals or exceeds twelve units.
- B. Copeland Act. The Copeland Act, known as the "anti-kickback" prohibition, is applicable to work performed by laborers and mechanics. Implementing Department of Labor regulations provide that all laborers and mechanics shall be paid unconditionally and not less often than once a week and without subsequent deduction or rebate except "permissible" salary deductions. Contractors and sub-contractors are required to submit appropriate weekly compliance statements and payrolls to the Grantee.
- C. Contract Work Hours and Safety Standards Act. The Contract Work Hours and Safety Standards Act (40 U.S.C. 327-333) provides that laborers or mechanics shall receive compensation at a rate not less than one and one half times their basic rate of pay for all hours worked in excess of eight hours in any calendar day or in excess of forty hours in any work week. In the event of violations, the contractor or sub-contractor shall be liable to any affected employee for his unpaid wages as well as to the United States for liquidated damages.
- D. Section 3. Section 3 is a provision of the Housing and Urban Development Act of 1968. The purpose of Section 3 to ensure that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing laws and regulations, be directed to low- and very low income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low- and very low-income persons.

Labor Standards Enforcement File

The Grantee shall maintain for each construction project subject to labor standards provisions the following documentation:

- Name, address, and Social Security number of each employee

- Each employee's work classifications
- Hourly rates of pay, including rates of contributions or costs anticipated for fringe benefits or their cash equivalents
- Daily and weekly numbers of hours worked
- Deductions made
- Actual wages paid
- If applicable, detailed information regarding various fringe benefit plans and programs, including records that show that the plan or program has been communicated in writing to the laborers and mechanics affected
- If applicable, detailed information regarding approved apprenticeship or trainee programs

Additionally, files shall include requests for wage decisions, bid documents containing applicable wage decisions and labor standards provisions, verification of contractor eligibility, executed construction contracts containing applicable wage and labor standards provisions, pre-construction conference minutes, notification of start of construction, weekly payrolls, apprentice registration records, on-site employee interviews and copies of correspondence, memoranda and forms relating to the administration and enforcement of labor standards provisions.

Secure Wage Rate Determinations

Grantees awarding any construction contract in excess of \$2,000 shall obtain federal wage rates. Nothing, however, shall prohibit the payment of more than the prevailing wage rate to any workman employed on the construction project.

Federal prevailing wage rates may be obtained from the internet at <https://sam.gov/content/home>

**Rates are applicable as of the date of the contract execution between the City and contractor or the subrecipient and their contractor.*

Contractors and sub-contractors shall post the prevailing wage rates for each craft and classification in a prominent and easily accessible place at the site of the work, or at such places as are used by them to pay workers. Davis Bacon posters shall also be hung at worksites and can be obtained through the City's Bureau of Housing and Community Development or at <http://www.dol.gov/whd/regs/compliance/posters/fedprojc.pdf>.

Force Account Laborers and mechanics employed by a Grantee (e.g. Public Works Department) will not be considered laborers and mechanics employed by a contractor or sub-contractor when performing construction work financed by the CDBG Program and shall not be subject to prevailing wage requirements which are otherwise applicable.

Prepare Bid Documents

The Grantee will ensure that all bid specifications include all applicable federal wage rate determinations and labor standards provisions. A full bid package template with all forms and materials contractors need is available through the City's Bureau of Housing and Community Development.

Execute Construction Contract

The Grantee will ensure that construction contract documents include all applicable wage determinations and labor standards provisions. Applicable wage rates are those in effect 10 days prior to bid opening, provided the construction contract is awarded within 90 days of bid opening. All predetermined State rate increases listed at time of contract award must also be paid, beginning on the dates specified. The Federal Labor Standards Provisions **must** be made part of all construction contracts.

Conduct Pre-Construction Conference

The Grantee shall hold a conference with the principal contractor and all available sub-contractors prior to the start of construction. At this conference responsibilities and obligations regarding the labor standards provisions contained in the contract documents will be discussed. A report shall be prepared and retained in the Grantee's files for each pre-construction conference. The report will contain:

- Project name, location and description
- Name of Contractor(s).
- Contract amount.
- Date and place of conference.
- Conference attendees.
- Summary of items covered.

Compliance Monitoring Actions

Visits to the construction site by the City of Bethlehem staff are an integral part of the compliance monitoring process. Careful observation of on-going construction work and asking questions of the workers involved may help to determine whether or not it is necessary to make a more detailed audit of payrolls and time-sheets. Progress reports, contractors' apprenticeship agreements and similar data, together with interviews of employees (recorded) and other questions, may be sufficient to develop information as to whether there is compliance with the labor standards provisions. Failure to monitor compliance during the project may result in difficult adjustments by contractors and sub-contractors as well as the imposition of sanctions and penalties that could have been avoided.

Weekly Payroll Review

It is the responsibility of each contractor and sub-contractor to submit [weekly certified payrolls](#) using DOL Form WH-347 for project work. If no work is performed by a contractor or sub-contractor during a given work week, weekly payrolls need not be submitted. Initial and final payrolls must be so marked by each contractor and sub-contractor. Payrolls shall be completed and submitted no later than seven work days following completion of the work week. The Grantee shall insist upon prompt submission of all payrolls.

It is the responsibility of the Grantee to verify that proper wage and fringe benefit rates are being paid by all contractors and sub-contractors. The proper wage and fringe benefit rate for a particular job classification must be equal to or greater than the highest of the corresponding federal or state prevailing wage rate and fringe benefit rate. Fringe benefits paid to approved plans, funds or programs must be verified by the Grantee.

HUD policy affords prevailing wage protection for all laborers and mechanics regardless of contractual relationship. There is no exception to this protection for self-employed sub-contractors. The most frequent occurrence of self-employed workers involves mechanic/trade classifications. These mechanics may be represented as sole proprietors, self-employed mechanics, partners or corporate officers - all with no direct employees engaged in covered work.

Certified payrolls reporting single or multiple owners (e.g., partners) certifying that they have paid to themselves the prevailing wage for their craft may not be accepted. These mechanics must be carried on the certified payroll of the contractor for whom they are working.

- a. Payroll Forms. Contractors shall be urged to use the optional Department of Labor Form WH-347, Payroll Form and [instructions on completing Form WH-347](#). A contractor may use an appropriate payroll of his/her own choice as long as it includes all of the information contained on the WH-347 and includes a signed weekly statement of compliance.
- b. Fringe Benefits. Item 4 on Form WH-347 includes statements concerning the payment of the basic hourly wage rates.
- c. Payrolls Must Be Obtained and Examined Promptly - Payroll Retention. The Grantee's contract or labor standards compliance person shall require the submission of all payrolls each week. The payrolls shall be examined upon receipt so that all necessary corrective action may be initiated before the problem multiplies, and may be accomplished while the workers are still available. Payrolls must be retained for five years by the Grantee following completion of the project and then

may be destroyed unless an investigation, disputed compliance action, or appeal remains outstanding. Clearance shall be obtained from the Bureau of Housing and Community Development prior to such destruction. Contractors and sub-contractors must retain their basic payroll records (payroll register, individual earning cards, etc.) for the same five (5) year period.

- d. Addresses and Social Security Numbers. Each worker's address and social security number must be reported on the first payroll on which his/her name appears. It is permissible for the contractor to omit the worker's address on subsequent payrolls if the contractor will report the worker's next address if and when an address change occurs.
- e. Incomplete Payrolls. Except where falsification is suspected, an incomplete payroll shall be returned to the prime contractor for completion. In most cases it will be better to require the prime contractor to supply the missing information by means of a new or supplemental payroll or a supplemental statement.
- f. Classification and Wage Rates. Classification and wage rates reported on the payroll shall be compared with the corresponding items on the applicable wage determination decision to determine whether the rate reported is at least equal to the rate required by the decision. If a lesser wage rate is found, the Grantee must request in writing the contractor to begin paying the required wage rate immediately and to make restitution to workers for past underpayments.
- g. Computations. Payroll computations shall be spot-checked to determine whether the payrolls are accurate. Scattered minor errors may be ignored. If such errors are numerous, however, the contractor should be requested in writing to exercise more care in preparing the payrolls.
- h. Deductions. Deductions shall be reviewed for any non-permissible deductions. Permissible deductions include medical or hospital care, pensions on retirement or death, compensation for injuries or illness resulting from occupational activity, unemployment benefits, life pay, defraying costs of apprenticeship or similar programs. Questions regarding permissible fringe benefits must be referred to the Department of Labor for determination. All benefits not paid in cash must be documented with written verification from the contractor or sub-contractor.
- i. Internal Revenue Service (IRS) Employer Identification Number. The initial payroll submission from each contractor and sub-contractor shall contain the applicable IRS-Employer's Identification Number.
- j. Signature. The statement of compliance must be signed by the owner, officer, or designated employee of the contractor. Written authority must be furnished by the owner or officer of the contractor where a designated employee signs the payrolls.

Employee Interviews

Employee interviews shall be sufficient in number to establish the degree of accuracy of the records and the nature and extent of violations, if any. They shall also be representative of all classifications of employees on the project. Employees shall be encouraged to produce pay stubs or pay envelopes which document the wages received. The employee shall be informed that the information given is confidential, and that his/her identity will be disclosed to the employer only with the employee's written permission, and that s/he is being interviewed by an employee of the City.

- Place of Interview. Employees currently employed may be interviewed during working hours on the job, provided that the interview can be properly and privately conducted on the premises. In cases of falsification of records, fear of reprisals, or intimidation, it may be advisable to conduct the interview elsewhere, such as in the employee's home, at the City's office, or other suitable place where it may be arranged.
- Initiating the Interview. The Grantee's labor compliance officer shall begin the interview by introducing himself or herself to the worker. S/he shall confirm his or her identity by showing the worker his or her credentials. S/he shall explain that the project is being constructed with the assistance of the federal government, that the payment of prevailing wages on federally-assisted construction projects is required by law, and that the purpose of the interview is to obtain information for use in determining whether the required wages are being paid. S/he shall inform the worker of the specific location at which the applicable wage determination decision is posted at the project site.
- Mail Interviews. Employees and former employees may be interviewed by mail.
- Interview Time. If the interview is conducted on the job site it shall be arranged to cause the least inconvenience to the employer and employee.
- Oral Interview Statements. An employee interview need not be recorded in a signed statement when it serves merely to confirm what the records reveal, and it is not otherwise indicative of a violation, assuming no violation has been alleged and the records are adequate.
- Interview Form. Employee interviews are to be recorded on [Form HUD-11](#), Record of Employee Interview.

Comparison of Payrolls and Interviews

Grantees must ensure that:

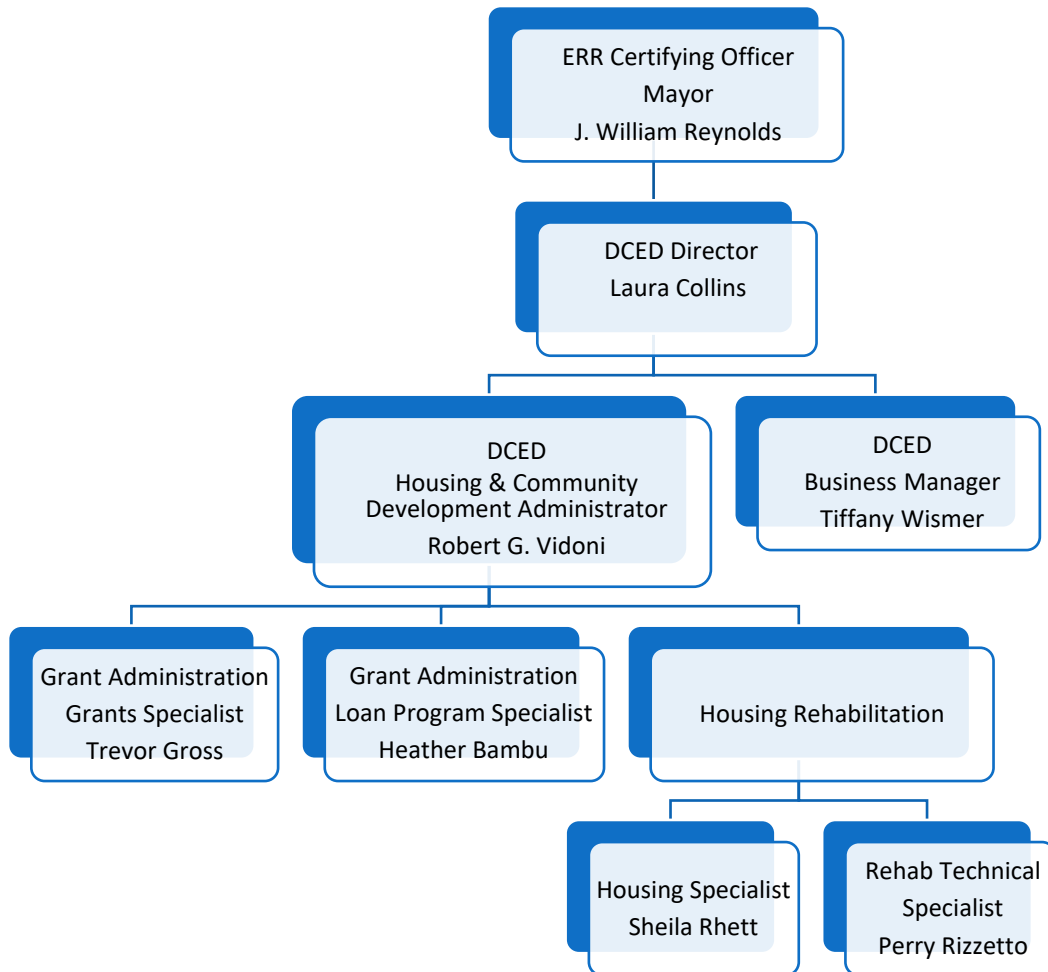
- Construction contractors designate the job classification of employees listed on the payroll.
- The hourly rate includes the fringe amount as listed in the wage determination governing the project. Fringe benefits paid to approved plans, funds or programs must be verified in writing.

When any violation of labor standards requirements results in an underpayment of wages to employees, the Grantee must take corrective action. Where wage adjustments become necessary, the local labor standards enforcement officer must notify the prime contractor (the one responsible for the correction of all violations) in writing to make such adjustments. Should the violations not be corrected within thirty (30) calendar days of notification, the local labor standards enforcement officer upon written notice to the contractor may withhold amounts due the contractor as may be necessary to ensure payment of laborers and mechanics the rate of pay which should have been received by such laborers and mechanics and to cover liquidated damages under the Contract Work Hours and Safety Act (CWHSSA), if any and if applicable. Only an amount necessary to ensure payment of back wages and/or liquidated damages shall be withheld.

Grantees and contractors are urged to obtain HUD publication “A Contractor’s guide to Prevailing Wage Requirements for Federally Assisted Construction”. The guide may be downloaded from the following HUD web site:

<http://portal.hud.gov/hudportal/documents/huddoc?id=4812-LRguide.pdf>

Organizational Chart - DCED Community Development Bureau



City of Bethlehem, PA
Department of Community and
Economic Development (DCED)

Revised 11/2022

HUD ENTITLEMENT ORGANIZATIONAL – ROLES & RESPONSIBILITIES

Certifying Officer – The City’s mayor is the Certifying Officer for HUD entitlement grant programs. The certifying officer signs all HUD contracts and agreements, resolutions, and SF 424 and certification forms for HOME and CDBG programs.

DCED Director – The Certifying Officer has appointed the Department of Community and Economic Development (DCED) Director the legal responsibility for certifying all HUD Entitlement program administration, operations and environmental requirements have been followed. The Director delegates grant management and administration as well as housing rehab responsibilities to the Housing & Community Development Bureau Administrator. The Director delegates City and subrecipient invoice payment responsibilities to its Department Business Manager.

DCED Business Manager – Manages all DCED overall budget including all HUD Entitlement funds. Management also includes the payment of invoices from City programs and facilities projects as well as invoices from subrecipients.

Housing & Community Development Bureau – The Bureau Administrator oversees daily operations and administration of HOME and CDBG and most recently CARES CV and HOME ARP funding including: application processes, subrecipient management and record development and retention, housing rehab programs and activities, revolving loan programs and satisfaction cases, affordable housing initiatives, homelessness partnerships with nonprofits and CoC coordination, rental subsidy and business grant programs, assistance with the City’s blight reduction program, NRSA administration and accomplishments, CDBG/HOME Subrecipient monitoring, and Neighborly Software development. The Administrator delegates tasks between two Bureau divisions: Grant Administration and Housing Rehabilitation

Grant Administration – The Administrator delegates grant administration tasks to its grant specialist and tasks involving any loan program to its Loan Program Specialist. Specific tasks include:

- Grant Specialist: subrecipient contracts, training and monitoring.
- Loan Program Specialist: income verification, loan documents/guidelines/recipient contracts and forgiveness and satisfactions, court documents, RFP processes, and blight committee administration

Housing Rehabilitation – The Administrator delegates housing rehabilitation tasks to its Housing Specialist and Housing Technical Specialist.

- Housing Specialist: case risk assessment, income verification, environmental review, application underwriting, purchase orders, loan subordination, contractor payments, settlement documents, escrow materials and execution.
- Housing Technical Specialist: case risk assessment assistance, work write ups, spec writing and budget development, bid package preparation, lead assessment, codes and engineering compliance coordination, technical/progress/and final inspections, change orders and or addendums and overall on-site project management.

APPENDIX B

CDBG/HOME ANNUAL ACTION PLAN-COUNCIL HEARING PROCESS

City Clerk will coordinate all dates with the Housing and Community Development Planner in the Department of Community and Economic Development.

An AAP requires a minimum of two public hearings takes place.

- I. The First Public Hearing is scheduled by the DCED to take place during the day time hours. DCED hosts and runs that Public Hearing as well as city website posts of the hearing notification and provides subrecipients a copy of the notification.
- II. The Second Public Hearing, coordinated by the City Clerk and DCED, takes place at a Community Development Committee meeting. The DCED prepares all website posts including hearing notification and provides subrecipients a copy of the notification and link to the Draft Annual AAP.

PUBLIC HEARINGS - THREE MEETING PROCESS

1. Meeting 1: Communication for Council Agenda

- a. Communication is read into the record at a City Council Meeting.
- b. Council President refers the Plan to the Community Development Committee to hold the Plan's Public Hearing for official review and public comment.
- c. Council President accepts a motion to schedule a Public Hearing

2. Meeting 2: Community Development Committee Public Hearing

- a. City Clerk will schedule a Community Development Committee meeting date. The Committee will hold the required 2nd public hearing. The Clerk will contact the Housing and Community Development Planner to obtain the list of all the recommended award applicants and their emails. City Clerk will email a Notice of Meeting on Council letterhead to each applicant (see sample below).
- b. Community Development Committee will hold the hearing, provide review comments, and receive any public comments, and provide recommendations to Council.

3. Meeting 3: Resolution for Council Approval

- a. City Clerk will include the Plan's Resolution for approval on Council agenda

*NOTE: The proposed CDBG and HOME Programs could be amended by City Council.

APPENDIX C

CDBG Application Evaluation Scoresheet

A: NEED/EXTENT OF THE PROBLEM	POINTS AWARDED	AVAILABLE POINTS
The extent of the need for the project. Has applicant demonstrated the need for the project in the community in a satisfactory manner?	0	10
The applicant has documented consistency with the City's goals of augmenting services and housing for the low/moderate income population.	0	10
The applicant has described the population to be served using census tract information, demographic information or other specific data.	0	10
The applicant demonstrates how the program results in self-sufficiency/increased independence for participants.	0	5
Section Total	0	35

B: SOUNDNESS OF APPROACH/OUTCOMES	POINTS AWARDED	AVAILABLE POINTS
The applicant has submitted clearly defined outcome-based objectives.	0	5
The outcomes clearly show benefit to the low/moderate income population	0	5
The project approach is consistent with the end goals of the project.	0	5
Section Total	0	15

C: CAPACITY OF THE APPLICANT AND RELEVANT ORGANIZATIONAL STAFF	POINTS AWARDED	AVAILABLE POINTS
The scope, extent and quality of the applicant's experience in providing the services of the proposed program/project.	0	5
The scope of applicant's experience managing federally funded programs	0	5
The applicant has the organizational capacity to carry out the program.	0	5
The applicant has the ability to spend the full award within 18 months from the date of funding.	0	5
Section Total	0	20

D: MONITORING AND RECORD KEEPING	POINTS AWARDED	AVAILABLE POINTS
The applicant has the ability to collect and report client or project data.	0	5
The applicant clearly demonstrates understanding of program requirements including procurement, labor standards and other regulations	0	5
Section Total	0	10

E: LEVERAGING RESOURCES	POINTS AWARDED	AVAILABLE POINTS
The extent of applicant's activities in the community (including past program administration, volunteers, fundraising support) that demonstrate support for the project.	0	5
The extent of the applicant's ability to carry out the program if not awarded the full requested amount.	0	5
Section Total	0	10
E: LEVERAGING RESOURCES	POINTS AWARDED	AVAILABLE POINTS
The extent of applicant's activities in the community (including past program administration, volunteers, fundraising support) that demonstrate support for the project.	0	5
The extent of the applicant's ability to carry out the program if not awarded the full requested amount.	0	5
Section Total	0	10

F: COMPREHENSIVENESS AND COORDINATION	POINTS AWARDED	AVAILABLE POINTS
The extent to which the applicant coordinated its application with other organizations to complement and/or support the proposed program/project.	0	5
The extent to which the applicant addresses a need not being met by another agency / program. Is the program duplicative?	0	5
Section Total	0	10

APPENDIX D

CDBG Optional Relocation Assistance Policy

§570.606 of Community Development Block Grant (CDBG) regulations require a grantee to adopt a written policy setting forth any optional relocation payments and assistance it elects to provide and provide for equal payments and assistance within each class of displacees. Such optional relocation assistance does not impact required relocation assistance required under §570.606.

CDBG funds may be used for optional relocation payments and assistance to displaced “persons” in the following classes:

- Individuals,
- Families,
- Businesses,
- non-profit organizations, and
- farms

The City hereby establishes the following guidelines for providing optional relocation payments to displaced individuals, families, businesses, non-profit organizations, and farms displaced by a CDBG-eligible activity:

1. Eligible Activity – Relocation activities must comply with the national objectives of the CDBG program by satisfying the low/moderate income persons benefit test, either based on the re-use of the property (the displacing project) or the income of the recipients of relocation assistance.
2. Assistance is Discretionary – Available CDBG funds are insufficient to meet all funding requests. The City reserves the right to approve or deny any request for optional relocation assistance at its sole discretion.
3. Duration of Assistance - Assistance shall be limited to temporary relocation assistance only. Assistance shall generally be limited to no more than 6 months unless the City extends the duration based on a determination that an extension is reasonable and appropriate.
4. Eligible Expenses - Eligible expenses are those relocation expenses authorized under the Uniform Relocation Act (49 CFR part 24) and further described in HUD Handbook 1378, as amended. In general eligible relocation expenses include actual reasonable out-of-

pocket expenses incurred in connection with the temporary relocation. For residential relocations, such eligible costs include the cost of moving to and from temporary quarters and the increase in monthly rent and utility costs. For non-residential relocations, such eligible expenses include moving costs, reestablishment expenses, and the increase in monthly rent and utility costs.

5. Form of Assistance – The following classes of displacees shall be eligible for grant assistance to reimburse eligible expenses:
 - voluntarily displaced individuals,
 - voluntarily displaced families,
 - voluntarily displaced businesses owned by low/moderate income persons, and
 - voluntarily displaced farms owned by low/moderate income persons.
6. Each displaced person or entity within a class shall be treated equally regarding optional relocation assistance.
7. Reasonable and appropriate – The relocation assistance provided shall be determined to be reasonable and appropriate.