

**How to apply for
City of Merced
U.S. Department of Housing and Urban Development (HUD)
Community Development Block Grant (CDBG) and
Home Investment Partnership Program (HOME) funds**

1. Attend one of the mandatory Information meetings to determine if your proposed public service or development project meets CDBG and HOME eligibility guidelines.
2. *If proposed project meets eligibility guidelines*, then submit written application for funding by the posted due date to: City of Merced Housing Program, 678 W. 18th Street, Merced, CA 95340.

Requests for funding shall include the following sections and information:

I. Project Description

A detailed description of the project to be undertaken with CDBG or HOME funds, specifically who will be served in terms of the client population and the number of persons or households intended to benefit from the development. Details of each activity proposed should be thoroughly explained.

II. Budget

A “sources and uses” budget that delineates all of the funding for the organization and highlights the use of CDBG or HOME funds, specifically.

III. Summary

An explanation of why this project is needed in the community and what would be the consequences of not receiving CDBG or HOME funds.

Questions should be directed to:

City of Merced Housing Division
By phone: (209) 385-6863
By email: housing@cityofmerced.org

“How to Apply” Guidelines

Page 2 of 8

The following information will provide you with guidance on how to apply for CDBG and HOME federal assistance funding through the City of Merced. Each application is reviewed for compliance with HUD and other Federal Regulations including financial management, conflict of interest and other specific provisions, non-profit status, budget and cost reasonableness, environmental clearance, eligibility/allowability, and local thresholds including assessed community need.

Application:

A complete application should include the following information:

- General Information
 - Participating Organizations
 - Name of Project
 - Proposed Project description
- Unique Entity ID (UEI): see details below
- National Objective information including beneficiaries
- Threshold Requirements
 - Targeted population
 - Consistency with community development strategy
 - Consistency with sustainable development principles (if applicable)
 - Additional project thresholds (project specific)
- Project description
 - Project location information
- Project Budget Information including project and administrative costs and an attached, detailed budget.
- Competitive Questions (4)
 - Project need
 - Community involvement and support
 - Project feasibility
 - Project impact
- State and Federal Tax Exemption Determination Letters
- Copy of Organization’s Charter and/or Bylaws
- Organization Chart
- Copy of Current Insurance Certificate: see details below
- Organization’s Request for Taxpayer Identification Number/Certification (W-9)

General Information

The first section of application requests information to identify the participating organization, the project name and the targeted population. Based on this selection and the project description, City Staff will confirm the eligibility of the requested development. The proposed project must be eligible for funding under the rules of the CDBG or HOME program.

Unique Entity ID (UEI)

HUD requires all subrecipient organizations to register their organizations for federal assistance. The Federal Government changed from using the previous DUNS number to the Unique Entity ID (generated by SAM.gov).

Register or check current status at this website: <https://unitedstatesbusinessregistration.us/new-renew-sam-registration/>

“How to Apply” Guidelines

Page 3 of 8

- If you already registered with SAM.gov, then you have a Unique Entity ID
- If not, then you will need to create an account and entity registration on SAM.gov

Insurance Requirements

1. **Commercial General Liability:** This policy shall cover both bodily injury, and property damage in an amount not less than \$1,000,000 per occurrence and a general aggregate limit in the amount of not less than \$2,000,000.
2. **Commercial Automobile Insurance:** This policy shall cover bodily injury, and property damage in an amount no less than \$1,000,000 per occurrence and an aggregate limit of not less than \$1,000,000. It shall cover all automobiles used in connection with the Subrecipient's performance of their program.
3. **Worker's Compensation:** A Subrecipient shall carry the insurance or provide for self-insurance required by California law to protect said Subrecipient from claims under the Workers' Compensation Act for all of its employees involved in the performance of their program.
4. **Cyber Liability:** If a Subrecipient stores electronic information on participants for their programs, and the risk of data loss is not covered by the Subrecipient's general liability, the Subrecipient shall maintain cyber liability insurance. The policy shall provide coverage for breach response costs, as well as regulatory fines and penalties and credit monitoring expenses, with limits sufficient to respond to these obligations. Understanding the technological capacity limitations of non-profit organizations, acceptable policy limits to satisfy this requirement shall be the maximum coverage that Subrecipient can reasonably obtain from an insurance provider.

CDBG Funding

National Objective Compliance

Each CDBG project must meet a HUD National Objective. National Objectives and related documentation are discussed in detail in this section. National Objective responses will not be scored. The response will be evaluated as described below.

- a) Identification of the national objective that will be met. Explain how it will be met in as much detail as possible. For example, a project could meet a national objective by benefiting low- and moderate-income persons as individuals in a “presumed” group, an income-qualified household, or on an area-wide basis based on which HUD Income Qualified Census Tract the individual or household lives in.
- b) Description of appropriate type(s) of documentation that would be collected from clientele served to show that the project meets a National Objective.

National objectives are discussed in the CDBG Regulations at [24 CFR Part 570.208 "Criteria for National Objectives"](#). Each project **must** meet one of three National Objectives:

1. Benefitting low- and moderate-income persons (LMI Benefit); or,
2. Aid in the prevention or elimination of slums or blight; or,
3. Designed to meet community development needs having a particular and immediate urgency.

“How to Apply” Guidelines

Page 4 of 8

Minimum requirements for documenting LMI Benefit National Objective compliance are discussed below. For Slum/Blight or Urgent Need specific requirements, please refer to the code section link above.

Benefitting Low- and Moderate-Income Persons

Documenting one of the following can satisfy this threshold:

A. **Area-wide Benefit: see [24 CFR 570.208\(a\)\(1\)](#) for further requirements** - A project will meet the national objective of benefit to low- and moderate-income persons if its benefits extend generally to all of the residents of the area in which the project is located, and 51% or more of those residents are low- and moderate-income persons. It is critical, however, that the service area determined by the applicant (and approved by the City) is the entire area served by the project. In addition, the service area must be primarily residential. Area-wide benefit is often used to meet national objective requirements for certain types of infrastructure projects, such as street repairs in a largely low-income neighborhood. In any case, the application must clearly document and explain how this requirement will be met.

1. Explain the methodology for establishing geographical boundaries of the service area and the percentage of low- and moderate-income persons.
2. Applicants must prove the 51% low- and moderate-income residency standard by using either HUD-supplied low- and moderate-income data, which are based on the 2010 US Census; or a survey and its results consistent with the survey methodology described in *Notice CPD-14-013: Guidelines for Conducting Income Surveys to Determine the Percentage of LMI Persons in the Service Area of a CDBG-Funded Activity*,” available online at:

<https://www.hudexchange.info/resource/4103/notice-cpd-14-013-guidelines-income-surveys-lmi-persons-cdbg-activity/>

- If a survey is used to substantiate a low- and moderate-income (LMI) area, a copy of the blank survey document and summary survey results must be included with the application. **Applicants must also include the survey data broken down by street (total number of households on each street and the income distribution for LMI households and all other households for each street).** *Surveys must demonstrate an adequate sample size and response rate based on HUD’s guidance or they cannot be considered valid by City Housing.*
 - Note: Surveys must be worded to not bias the results. For example, it is not appropriate to say, “In order for the municipality to receive desired funding, a survey must be conducted to show that most of the residents of the area have low- and moderate-income.”
3. Applicants must furnish a parcel map of the service area, showing:
 - If applicable, the Census Block Groups and the corresponding LMI statistics;
 - If applicable, surveyed streets and surrounding area;
 - The dominant land uses; and,
 - If applicable, current and proposed sewer or water lines, direction of flow, storage tanks, pump stations, treatment plants and well fields.
 4. If the residential target area contains vacant land, applicants must;

“How to Apply” Guidelines

Page 5 of 8

- Show each vacant parcel of land on a parcel map; and
- Describe the potential future use of the land for the next five to seven years.
- Consider current zoning, subdivision plans, planning documents etc.; and,
- Describe how future use could have an impact upon the national objective.

B. Limited Clientele Benefit: see [24 CFR 570.208\(a\)\(2\)](#) for specific requirements - A CDBG-assisted project will meet this national objective if it can be demonstrated that the project is designed so that the benefits are limited to certain groups with characteristics, such as:

1. Groups presumed by HUD to be low- and moderate-income. These include the elderly; severely disabled adults, abused children, battered spouses, homeless persons, persons with HIV/AIDS, illiterate persons, and migrant farm workers. No income verification is required for these groups unless an “income payment,” such as fuel assistance, childcare subsidies or tuition payments, is being provided. Projects limited in scope to the removal of architectural barriers for severely disabled adult(s) or elderly persons categorically meet national objective requirements.
2. Groups of persons already documented as low- and moderate-income. For example, a recreation program for the exclusive use of residents in a low-income housing development complies. Usually no further income documentation is required for this type of project.
3. Groups whose composition is such that it can be concluded that a majority of their clientele will be low- and moderate-income persons. For example, projects involving soup kitchens or homeless shelters will usually qualify under this provision without further proof of income eligibility. For application purposes, the clientele must be profiled so it is clear that beneficiaries of CDBG assistance will be low- and moderate-income persons.
4. Groups that can be documented to be predominantly low- and moderate-income (at least 51%). Such projects must be designed to collect information on household size and income so that the program will document clientele income eligibility. For example, a project that provides well-child medical care would meet the national objective if the program will collect income data to determine eligibility to receive CDBG-assisted services.

Limited clientele projects must document compliance by one of the following methods:

- For projects that do not provide “income payment” forms of assistance, beneficiaries may “self-declare” their eligibility, generally by completing and signing a form declaring household sizes and income ranges.
- For projects that offer income payments or subsidies, income must be documented.
- For projects where the user profile will be low- and moderate-income, a description of the profile must be presented so that the conclusion, without a doubt, will be to benefit low- and moderate-income persons.

C. Housing Activities: see [24 CFR 570.208\(a\)\(3\)](#) for specific requirements - CDBG-assisted housing projects (not to be confused with a “public housing project”) will meet the national objective if they predominantly benefit low- and moderate-income persons by providing them with safe, decent and sanitary housing. Housing projects include rehabilitation loans or grants, first-time homebuyer loans, etc. For such projects, grantees must collect and maintain information on household size and income to demonstrate that a low- or moderate-income household occupies assisted housing units. For

“How to Apply” Guidelines

Page 6 of 8

buildings with two units, at least one eligible household must occupy one of the assisted units. For three or more units, at least 51% of the assisted units must be occupied. Applicants must describe the specific steps to be taken to ensure compliance with this requirement, including the income information that will be obtained from clients, and the standards used to determine eligibility at the time of application.

D. **Job Creation or retention activities:** see [24 CFR 570.208\(a\)\(4\)](#) for requirements.

HOME funding

HOME funding primarily involves construction, reconstruction, demolition, homeowner assistance, tenant-based rental assistance, and/or rehabilitation activities – activities geared strictly towards residential units.

Assistance is specialized and there are many requirements for the use of HOME funds, including commitment, expenditure, completion, and occupancy deadlines and annual monitoring after completion for the entire affordability period. All activities shall be geared towards assisting low-to moderate-income residents. No activities using HOME funds shall be provided for market rate purposes.

For all HOME regulations, please refer to: [24 CFR Part 92](#)

HOME Community Housing Development Organizations (CHDO):

In the past, the City of Merced has partnered with certified CHDO partners for new construction and rehabilitation projects.

For more information, please refer to the applicable HUD Regulation: [24 CFR Part 92 Subpart G](#). In 2015, these regulations changed significantly, so please read the requirements carefully.

All CHDO applicants must pass and maintain yearly City certification requirements.

CHDO Definition & Qualifications:

Community housing development organization means a private nonprofit organization that:

- (1) Is organized under State or local laws;
- (2) Has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual;
- (3) Is neither controlled by, nor under the direction of, individuals or entities seeking to derive profit or gain from the organization. A community housing development organization may be sponsored or created by a for-profit entity, but:
 - (i) The for-profit entity may not be an entity whose primary purpose is the development or management of housing, such as a builder, developer, or real estate management firm.

“How to Apply” Guidelines

Page 7 of 8

- (ii) The for-profit entity may not have the right to appoint more than one-third of the membership of the organization's governing body. Board members appointed by the for-profit entity may not appoint the remaining two-thirds of the board members;
 - (iii) The community housing development organization must be free to contract for goods and services from vendors of its own choosing; and
 - (iv) The officers and employees of the for-profit entity may not be officers or employees of the community housing development organization.
- (4) Has a tax exemption ruling from the Internal Revenue Service under section 501(c)(3) or (4) of the Internal Revenue Code of 1986 (26 CFR 1.501(c)(3)-1 or 1.501(c)(4)-1)), is classified as a subordinate of a central organization non-profit under section 905 of the Internal Revenue Code of 1986, or if the private nonprofit organization is an wholly owned entity that is disregarded as an entity separate from its owner for tax purposes (e.g., a single member limited liability company that is wholly owned by an organization that qualifies as tax-exempt), the owner organization has a tax exemption ruling from the Internal Revenue Service under section 501(c)(3) or (4) of the Internal Revenue Code of 1986 and meets the definition of “community housing development organization;”
- (5) Is not a governmental entity (including the participating jurisdiction, other jurisdiction, Indian tribe, public housing authority, Indian housing authority, housing finance agency, or redevelopment authority) and is not controlled by a governmental entity. An organization that is created by a governmental entity may qualify as a community housing development organization; however, the governmental entity may not have the right to appoint more than one-third of the membership of the organization's governing body and no more than one-third of the board members may be public officials or employees of governmental entity. Board members appointed by a governmental entity may not appoint the remaining two-thirds of the board members. The officers or employees of a governmental entity may not be officers or employees of a community housing development organization;
- (6) Has standards of financial accountability that conform to 2 CFR 200.302, ‘Financial Management’ and 2 CFR 200.303, ‘Internal Controls;’
- (7) Has among its purposes the provision of decent housing that is affordable to low-income and moderate-income persons, as evidenced in its charter, articles of incorporation, resolutions or by-laws;
- (8) Maintains accountability to low-income community residents by:
 - (i) Maintaining at least one-third of its governing board's membership for residents of low-income neighborhoods, other low-income community residents, or elected representative of low-income neighborhood organizations. For urban areas, “community” may be a neighborhood or neighborhoods, city, county or metropolitan area; for rural areas, it may be a neighborhood or neighborhoods, town, village, county, or multi-county area (but not the entire State); and
 - (ii) Providing a formal process for low-income program beneficiaries to advise the organization in its decisions regarding the design, siting, development, and management of affordable housing;
- (9) Has a demonstrated capacity for carrying out housing projects assisted with HOME funds. A designated organization undertaking development activities as a developer or sponsor must satisfy this requirement by having paid employees with housing development experience who will work on projects assisted with HOME funds. For its first year of funding as a community housing development organization, an organization may satisfy this requirement through a contract with a

“How to Apply” Guidelines

Page 8 of 8

consultant who has housing development experience to train appropriate key staff of the organization. An organization that will own housing must demonstrate capacity to act as owner of a project and meet the requirements of § 92.300(a)(2). A nonprofit organization does not meet the test of demonstrated capacity based on any person who is a volunteer or whose services are donated by another organization; and

- (10) Has a history of serving the community within which housing to be assisted with HOME funds is to be located. In general, an organization must be able to show one year of serving the community before HOME funds are reserved for the organization. However, a newly created organization formed by local churches, service organizations or neighborhood organizations may meet this requirement by demonstrating that its parent organization has at least a year of serving the community.