

# Guide to Equitable Use of CDBG in the City of Detroit

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COMMUNITY  
DEVELOPMENT  
ADVOCATES OF  
DETROIT



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# Definitions

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## CDBG

The Community Development Block Grant (CDBG) is a federal program administered by the United States Department of Housing and Urban Development (HUD). Since 1974, the CDBG program has provided annual grants to municipalities, known as "grantees", to address local community development needs.

## HUD

CDBG funds are provided to entitlement communities through the **U.S. Department of Housing and Urban Development (HUD)**. HUD established the regulations and requirements for the program and has oversight responsibilities for the use of CDBG funds.

## Entitlement Program

**The Entitlement Program** is the portion of the CDBG Program that provides formula grants to metropolitan cities and urban counties. The Entitlement Program is the largest component of the CDBG Program receiving 70 percent of CDBG appropriations. Participating local governments automatically receive an annual allocation of CDBG funds.

## CDBG Recipient

Local governments (aka City of Detroit) are known as **grantees** or **recipients**. They participate in either the Entitlement Program (for cities in metropolitan areas over 50,000 in population, designated principal cities of metropolitan statistical areas or urban counties with more than 200,000 people).

## Grantee

Each entitlement community, or grantee, administers its local CDBG program in accordance with program requirements. Many communities use **subrecipients** to carry-out portions of their CDBG programs

## Subrecipient

An entity that assists the recipient to implement and administer its program. **Subrecipients** are generally nonprofit organizations that assist the recipient to undertake one or more activities on behalf of the grantee, such as administer a home rehabilitation loan pool or manage a job training program.

## Consolidated Plan

The **Consolidated Plan** is designed to help states and local jurisdictions to assess their affordable housing and community development needs and market conditions, and to make data-driven, place-based investment decisions. The consolidated planning process serves as the framework for a community-wide dialogue to identify housing and community development priorities. The Consolidated Plan is carried out through **Annual Action Plans**, which provide a concise summary of the actions, activities, and the specific federal and non-federal resources that will be used each year to address the priority needs and specific goals identified by the Consolidated Plan. Grantees report on accomplishments and progress toward Consolidated Plan goals in the **Consolidated Annual Performance and Evaluation Report (CAPER)**.

## About CDAD

Community Development Advocates of Detroit (CDAD) is a membership organization comprised of community development organizations (CDOs), block clubs, and neighborhood improvement organizations (NIOs). For more 25 years, CDAD has served as the leading voice for Detroit's community development industry. With nearly 200 dues-paying members, CDAD advocates for public policies and resources that advance the work of nonprofit, community-based organizations in Detroit neighborhoods who are engaged in physical development, land use planning, community organizing, and other activities designed to stabilize and revitalize the quality of life in Detroit.

CDAD has and continues to be a key partner to Detroit's neighborhoods. From the work of its volunteer community development corporation members helping shape the City's DOCTOR training—the first trainings in affordable housing development in Detroit in the early 1990s—to helping to form the state trade association for community development—the Community Economic Development Association of Michigan (CEDAM)—CDAD has been advocating for and moving the community development industry forward.

According to research from the University of Michigan, as well as research from Local Initiatives Support Corporation, CDAD members have provided somewhere in excess of \$250 million in economic development, including 3,500 new or rehabilitated units of affordable housing and over 600,000 square feet of new or renovated commercial retail space.

## CDAD's Focus on CDBG

Throughout its history, CDAD has served as a citywide advocacy voice for Detroit neighborhood organizations. Every year, CDAD's Public Policy Division and Policy Committee works with our organization's members to ensure our Policy Agenda is responsive to and reflects the most pressing needs and concerns impacting their work and the residents they serve. The Community Development Block Grant (CDBG) has been a longstanding issue on our Policy Agenda as it is a tool that is designed to support the community development work and activities that our members do every day.

The Community Development Block Grant program was developed to provide local governments and communities with more decision-making power in local funding choices to address and mitigate poverty and blight. Furthermore, it is designed to be a "bottom-up" approach to developing viable urban communities for low- to moderate-income people by providing decent housing and economic opportunities. To ensure that the program is truly "bottom-up," federal regulations require that cities must work with citizens and local organizations to develop project ideas and plans to address the most pressing community needs.

Like most of the nation, the City of Detroit is currently in a crisis. Many residents face challenges around housing and water affordability, home repair, crumbling infrastructure, property tax foreclosures, and a host of other issues. While efforts are being made to "revitalize" Detroit, investment is being focused downtown and in certain neighborhoods leaving others out. Furthermore, nonprofits that have historically provided services to help residents find or provide affordable housing, jobs, and



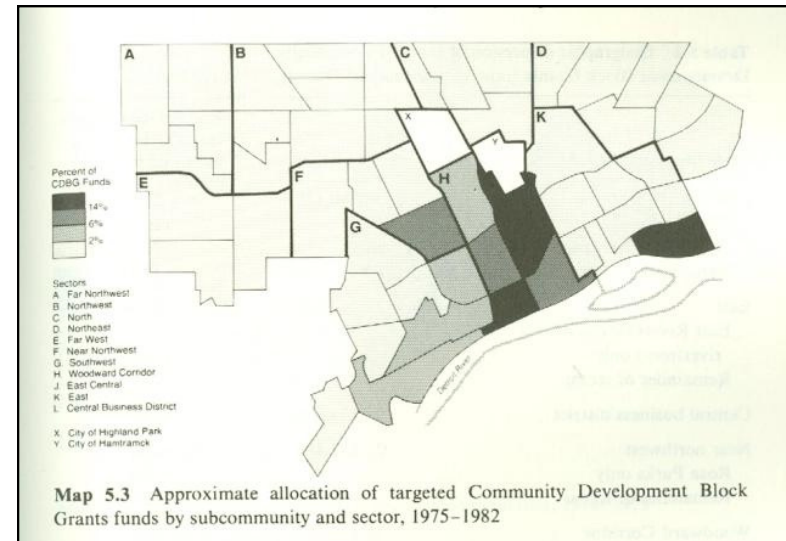
other resources are underfunded and must compete with one another to receive grants from philanthropy and a small percentage of CDBG dollars through the city's Neighborhood Opportunity Fund (NOF).

Since July 2021, we have conducted a host of surveys, meetings, and interviews with CDAD members and partners to identify their top goals and priorities around CDBG funding in Detroit. We have also done an extensive amount of research to understand how the City of Detroit has allocated its annual CDBG grant over the past few years. Moreover, we completed a scan of comparable cities that include Cleveland, Pittsburgh, and Milwaukee to understand how Detroit compares and identifies ways to improve and meet local needs around citizen participation, housing, capacity building, and technical assistance for local nonprofits, and increased oversight.

## History of CDBG in Detroit

The City of Detroit has been a long-standing recipient of the Community Development Block Grant (CDBG) since the program was enacted, receiving its first allocation in 1975. Like today, most CDBG and other economic development resources in Detroit were targeted toward downtown development and certain neighborhoods such as Jefferson-Chalmers, Elmwood Park, and the Woodward Corridor. Federal grant dollars were also used to leverage private investment for job creation as the automobile industry began failing and jobs, Whites and middle-class Blacks fled to the surrounding suburbs. This targeted investment strategy was developed to keep institutions and industries from following suit. Since the 1970s, the plans for economic development and master plans have reflected the need

for neighborhood development but the City of Detroit has opted out to support both investments in neighborhoods and downtown at the same time.



Source: Detroit: Race & Uneven Development (1987) by Joe T Darden, Richard Child Hill, June Thomas, and Richard Thomas. page 193.

As we shift our focus on development in Detroit today by looking at CDBG spending from 2015 through 2021, the majority of CDBG dollars have been used for the Repayment of Section-108 Loan Guarantees. These are HUD loans that downtown and other business developments defaulted on, leaving the city on the hook to use future CDBG dollars towards their repayment - dollars that otherwise would have gone to neighborhood development. Throughout the history of CDBG in Detroit, community groups have rallied and protested the redevelopment efforts concentrated downtown and along the riverfront as neighborhood and commercial corridors in communities across the city remain vacant and dilapidated.

The approach to economic development and CDBG spending has not changed much since the 1970s and 1980s. Funding continues to be targeted in certain areas as the plans of the past have not yet yielded the anticipated results of developing a central business district to serve as the anchor of the region. Much like in the past, residential projects near the central business district are more likely to receive funding and long-time Detroiters are being displaced and relocated from their residences. Poverty rates in the city remain high and thousands of homeowners have undergone and are facing eviction or property tax foreclosure leaving behind an insurmountable number of vacant homes. Moreover, large developers continue to request and receive tax abatements and subsidies for developments downtown. It has been estimated that Detroiters need close to \$2 billion in home repair funding. Crumbling infrastructure and climate change have contributed to an unprecedented occurrence of home and street flooding in neighborhoods across the city. With a recession looming in the aftermath of the COVID-19 pandemic, and the demand for equity louder than ever, Detroiters are looking to city officials to provide assistance and shift revitalization efforts from downtown to the neighborhoods across Detroit that have historically been left out.

## What Do CDAD Members Want?

### Data from Surveys & Interviews

In July 2021, CDAD surveyed and interviewed CDAD members and partners to understand their priorities around the Community Development Block Grant including the Neighborhood Opportunity Fund.

### *Shared Goal for CDBG Reform*

Detroit residents and community stakeholders will work in partnership with the City of Detroit to ensure that the HUD Consolidated Plan, approved ARPA, CARES and other federal spending programs reflect an equitable agenda for long-term neighborhood investment; one that is developed through a meaningful community engagement process designed by community stakeholders.

### *Top Three Priorities for CDBG spending in Detroit*

1. Significantly expand the use of federal funds for owner-occupied Home Repair Funds for Detroiters
2. Significantly expand the amount of federal funding allocated for non-profit-led Single-Family rehab work in all Detroit neighborhoods
3. Significantly expand the use of CDBG funds for Public Service projects i.e. human services projects for youth, elderly, and families

### *Top Priority for CDBG administration reform*

1. Reform the Detroit CDBG, ARPA, and CARES decision-making process so that neighborhoods and residents have a stronger say in how CDBG funds are allocated

### *Ranked Priorities for CDBG Funding (highest to lowest)*

1. Housing
2. Public Service
3. Economic Development
4. Public Facilities & Improvements
5. Acquisition
6. General Admin & Planning
7. Repayment of Sec. 108

## **CDAD Members & Detroit Residents Want to be A Part of the Decision-Making Process**

In January 2022, Community Development Advocates of Detroit (CDAD) partnered with Building the Engine of Community Development in Detroit (BECDD) to survey members and partners to develop a shared goal and priorities for our advocacy around the Community Development Block Grant (CDBG) program in Detroit. We asked survey participants to identify their top priority for reforming how CDBG is administered in Detroit. Of the 42 participants, 43 percent said that their top priority is to “Reform the Detroit CDBG, ARPA and CARES decision-making process so that neighborhoods and residents have a stronger say in how CDBG funds are allocated.”

According to federal regulation, *24 CFR 91.105*, jurisdictions or CDBG grantees, are required to adopt a citizen participation plan that sets forth their policies and procedures for citizen participation. Grantees must encourage the participation of residents living in low-to-moderate-income neighborhoods with increased slum and blight or in designated revitalization areas.

Furthermore, the City of Detroit must take appropriate actions to encourage the participation of all citizens including non-English speaking persons and persons with disabilities. The citizen participation plan must provide and encourage public participation in the development of the consolidated plan, any substantial amendment to the consolidated plan and the performance report. Moreover, the citizen participation plan must provide a period of no less than 30 days to receive comments from residents on the consolidated plan.

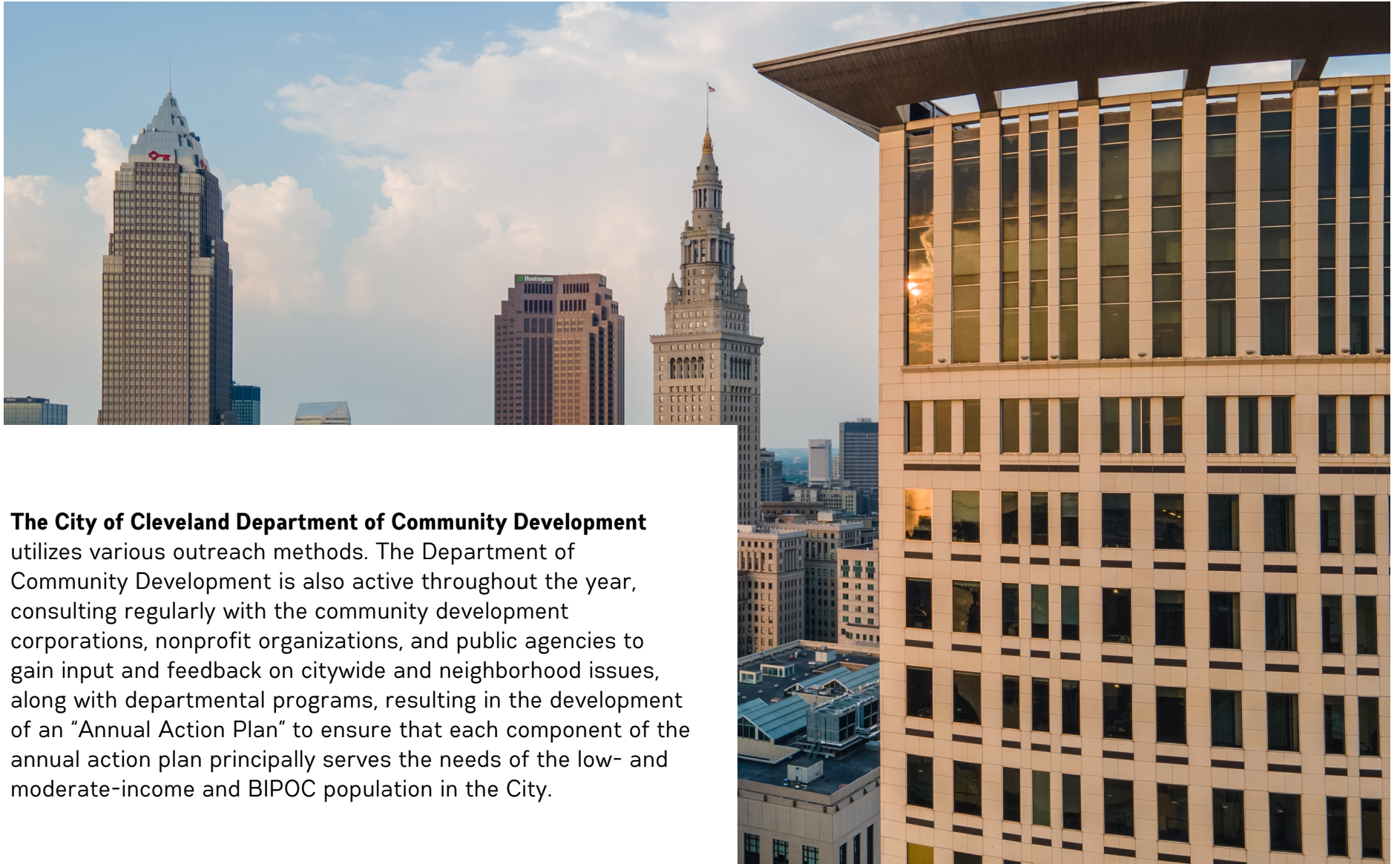
Furthermore, the jurisdiction must provide citizens with a reasonable opportunity to comment on the consolidated plan

and any substantial amendments and host two public hearings a year. The plan must be made public and, in a format, accessible to persons with disabilities, upon request. Grantees must provide a period, not less than 15 days, to receive comments on the performance report prior to submitting it to HUD. Lastly, jurisdictions must follow their citizen participation plan.

Whether it is called "citizen engagement", "community engagement, or 'community-based decision-making', including public participation in decision-making processes that are intended to benefit them, leads to more robust, sustainable solutions and outcomes. Great public participation processes help quickly identify key challenges and opportunities. They also help the public better understand programs, problems, and issues. Community-based decision-making brings more information, knowledge, and perspectives that can make the difference between a good and a bad decision. At CDAD, we believe in the philosophy that residents are the experts of Detroit's neighborhoods and communities and know precisely what they need to improve their quality of life.



## *Example of Community Engagement from the City of Cleveland, Ohio*



**The City of Cleveland Department of Community Development** utilizes various outreach methods. The Department of Community Development is also active throughout the year, consulting regularly with the community development corporations, nonprofit organizations, and public agencies to gain input and feedback on citywide and neighborhood issues, along with departmental programs, resulting in the development of an “Annual Action Plan” to ensure that each component of the annual action plan principally serves the needs of the low- and moderate-income and BIPOC population in the City.

# Overview of Community Development Block Grant (CDBG)

Information from the CDBG Guide to National Objects & Eligible Activities

## What is CDBG?

The Community Development Block Grant (CDBG) is a federal program administered by the United States Department of Housing and Urban Development (HUD). Since 1974, the CDBG program has provided annual grants to municipalities, known as "grantees", to address local community development needs.

## What activities are eligible for CDBG funding?

- At least **70 percent** of funds must be used for activities that benefit those with **low to moderate income**.
- Each activity must meet one of the national objectives for the program: **benefit low- and moderate-income persons, prevention or elimination of slums or blight, or address community development needs** having a particular **urgency** because existing conditions pose a serious and immediate threat to the health or welfare of the community and other funding is not available.

## How is CDBG awarded to Municipalities?

The CDBG program is designed to provide and ensure decent affordable housing, jobs, and to provide services to the most vulnerable individuals in communities across the country. The annual CDBG appropriation is granted to States and local jurisdictions called "non-entitlement" and "entitlement"

communities. Entitlement communities are central cities of Metropolitan Statistical Areas (MSAs); metropolitan cities with a population of at least 50,000; and qualified urban counties with a population of 200,000 or more (excluding the population of entitlement cities). **HUD determines the award amount by using a formula that considers community need, number of persons in poverty, housing overcrowding, age of housing, population and how fast the population is growing when compared to other metropolitan areas.**

## What are the categories of activities that are eligible for CDBG funding?

- 1.Acquisition of Real Property
- 2.Disposition
- 3.Public Facilities & Improvements
- 4.Clearance
- 5.Public Services
- 6.Interim Assistance
- 7.Relocation
- 8.Loss of Rental Income
- 9.Privately-Owned Utilities
- 10.Rehabilitation
- 11.Construction of Housing
- 12.Code Enforcement
- 13.Special Economic Development Activities
- 14.Microenterprise assistance
- 15.Special Activities by CBDOs
- 16.Homeownership Assistance
- 17.Planning and Capacity Building
- 18.Program Administration Costs
- 19.Miscellaneous Other Activities

# CDBG in Detroit Overview

## How much CDBG funding has Detroit Received Annually since FY 2014-15?

- 2015 - **\$38,671,837**
- 2016 - **\$34,940,410**
- 2017 - **\$39,720,430**
- 2018 - **\$47,375,911**
- 2019 - **\$37,538,800**
- 2020 - **\$129,515,278**
- 2021 - **\$26,800,825**

## Why Focus Analysis on FY15-FY21?

CDAD has chosen to analyze the way in which CDBG funding has been expended during the fiscal year 2015 through the fiscal year 2021. This allows for the analysis of spending under the current mayoral administration. This is important as we provide recommendations on the best use of CDBG funds as they are derived from current spending patterns. However, we must note, that there were reporting errors in the city's FY2019-2020 CAPER and data from that fiscal year may be inaccurate for Repayment of Section 108 Loans.

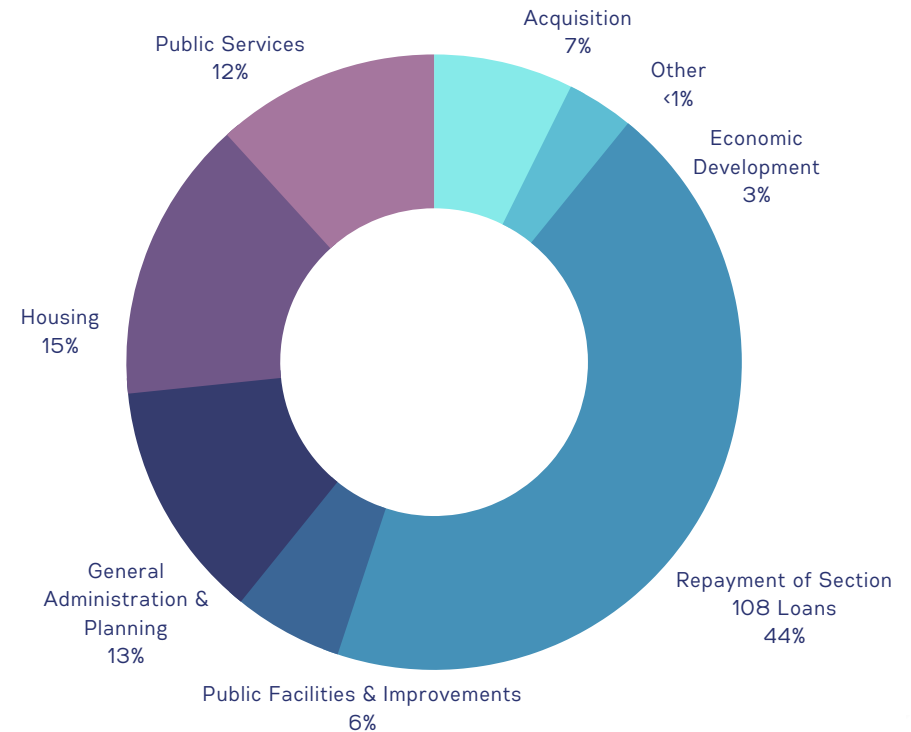
Between the fiscal year 2015 and fiscal year 2021, the City of Detroit expended a total of **\$354,563,491** CDBG dollars.

## What Categories has Detroit expended CDBG funds on during FY15-FY21?

- 1.Repayment of Section-108 Loans
- 2.Housing
- 3.Public Services
- 4.General Administration & Planning
- 5.Acquisition
- 6.Public Facilities & Improvement
- 7.Economic Development

Between FY2015-FY2021, **44%** of all CDBG funds have been dedicated to the Repayment of Section 108 Loans.

*Percent of CDBG Funds Expended by Category FY15-FY21*



# CDBG Funding Characterized as Acquisition

## How can funds allocated to Acquisition be spent?

There are three subcategories of allowable expenses within Acquisition:

### 1. Acquisition of Real Property

- a. Acquire real property in whole or in part by purchase, long-term lease, donation, or otherwise for any public purpose
- b. Any associated administrative costs such as property surveys, appraisals, legal fees, etc.

### 2. Clearance & Demolition

- a. Demolition of buildings and improvements;
- b. Removal of demolition products (rubble) and other debris;
- c. Physical removal of environmental contaminants or treatment of such contaminants to render them harmless; and
- d. Movement of structures to other sites.

### 3. Relocation

- a. Relocation payments and assistance to persons permanently or temporarily displaced.

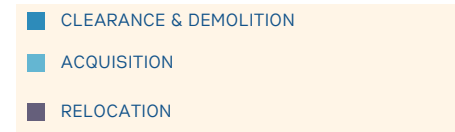
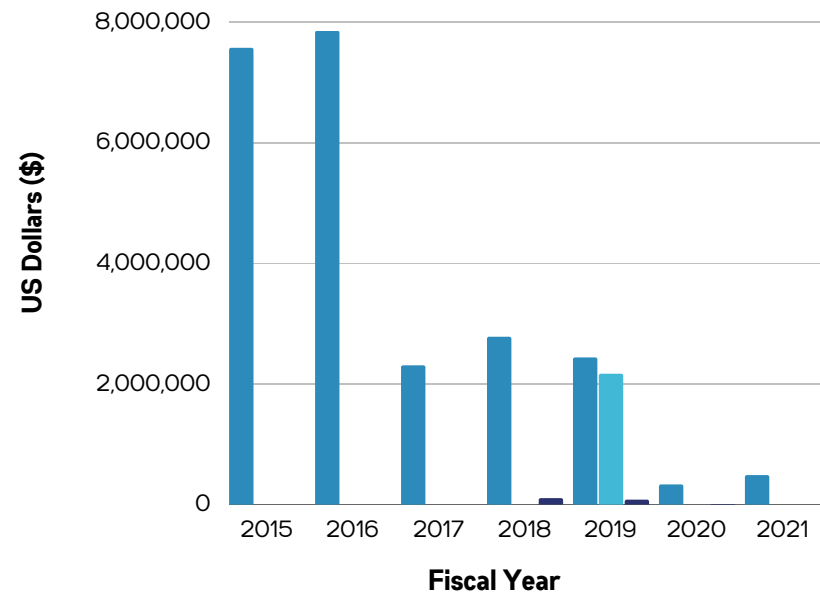
## How has Detroit expended CDBG funds allocated to Acquisition?

Between FY15 & FY21, **\$26,077,545** total has been allocated to Acquisition.

- 2015 - **\$7,562,193**
- 2016 - **\$7,844,198**
- 2017 - **\$2,297,876**
- 2018 - **\$2,879,549**
- 2019 - **\$4,682,598**
- 2020 - **\$333,005**
- 2021 - **\$478,126**

Between FY15-FY21, funds allocated for Acquisition were primarily used for Clearance & Demolition for a total of **\$23,711,897 (91%)**.

*CDBG Funds Allocated to Acquisition FY15-FY21*  
**\$26,077,545**



# CDBG Funding Characterized as Economic Development

## How can funds allocated to Economic Development be spent?

“**Economic development**” can be interpreted very broadly to include all endeavors aimed at sustaining or increasing the level of business and jobs activity. Under this broad concept, most CDBG activities could, under the right circumstances, be viewed as economic development. In contrast, the term “**special economic development activities**” is used in the CDBG program to identify three types of activities.

CDBG funds may be used for the following **special economic development** activities:

1. **Commercial or industrial improvements** carried out by the grantee or a nonprofit sub-recipient.
2. **Assistance to private for-profit entities** for an activity determined by the grantee to be appropriate to carry out an economic development project.
3. **Economic development services** in connection with the above subcategories, including outreach efforts to market available forms of assistance, screening of applicants, reviewing and underwriting applications for assistance, preparation of agreements, management of assisted activities, and the screening, referral, and placement of applicants for employment opportunities generated by CDBG eligible economic development activities. The costs of providing necessary job training for persons filling those positions may also be provided.

Additionally, within Economic Development, **Microenterprise Assistance** is the use of CDBG funds to provide financial assistance, technical assistance, or general support to an existing microenterprise or to assist in the establishment of a microenterprise. “**Microenterprise**” means a business has five or fewer employees, one or more of whom owns the business.

## What is the Public Benefit Requirement?

The level of public benefit (**creation/retention of jobs and the provision of goods or services**) to be derived from the activity must be appropriate given the amount of CDBG assistance being provided. This requirement applies to all activities under the category of Special Economic Development Activities.

## How has Detroit expended CDBG funds allocated to Economic Development?

Between FY15 & FY21, **\$12,389,701** total has been allocated to Economic Development.

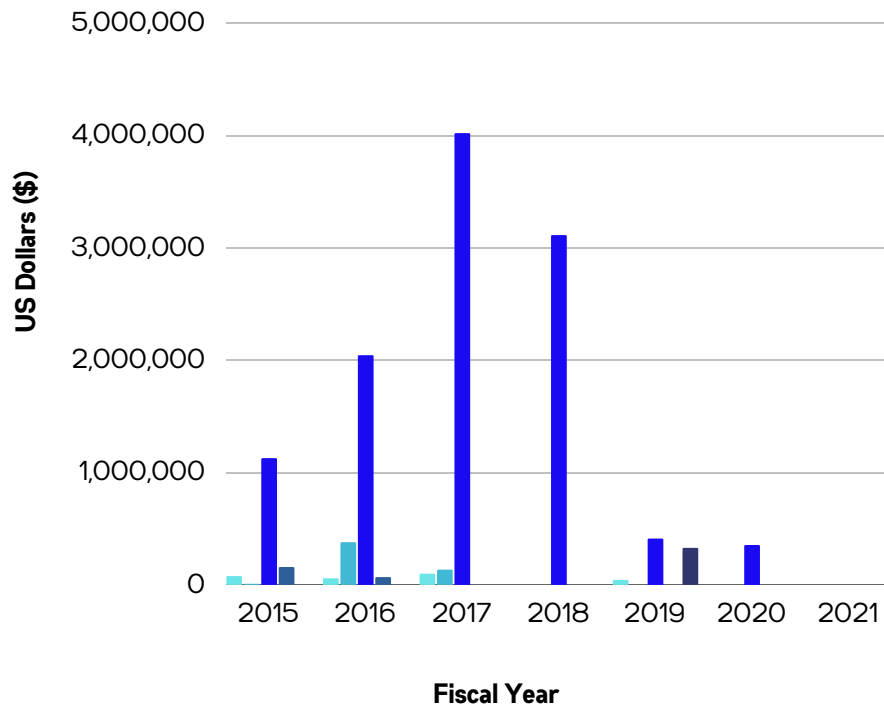
- 2015 - **\$1,367,627**
- 2016 - **\$2,544,750**
- 2017 - **\$4,250,316**
- 2018 - **\$3,106,738**
- 2019 - **\$772,515**
- 2020 - **\$347,755**
- 2021 - **\$0**

Within Economic Development there are five (5) subcategories:

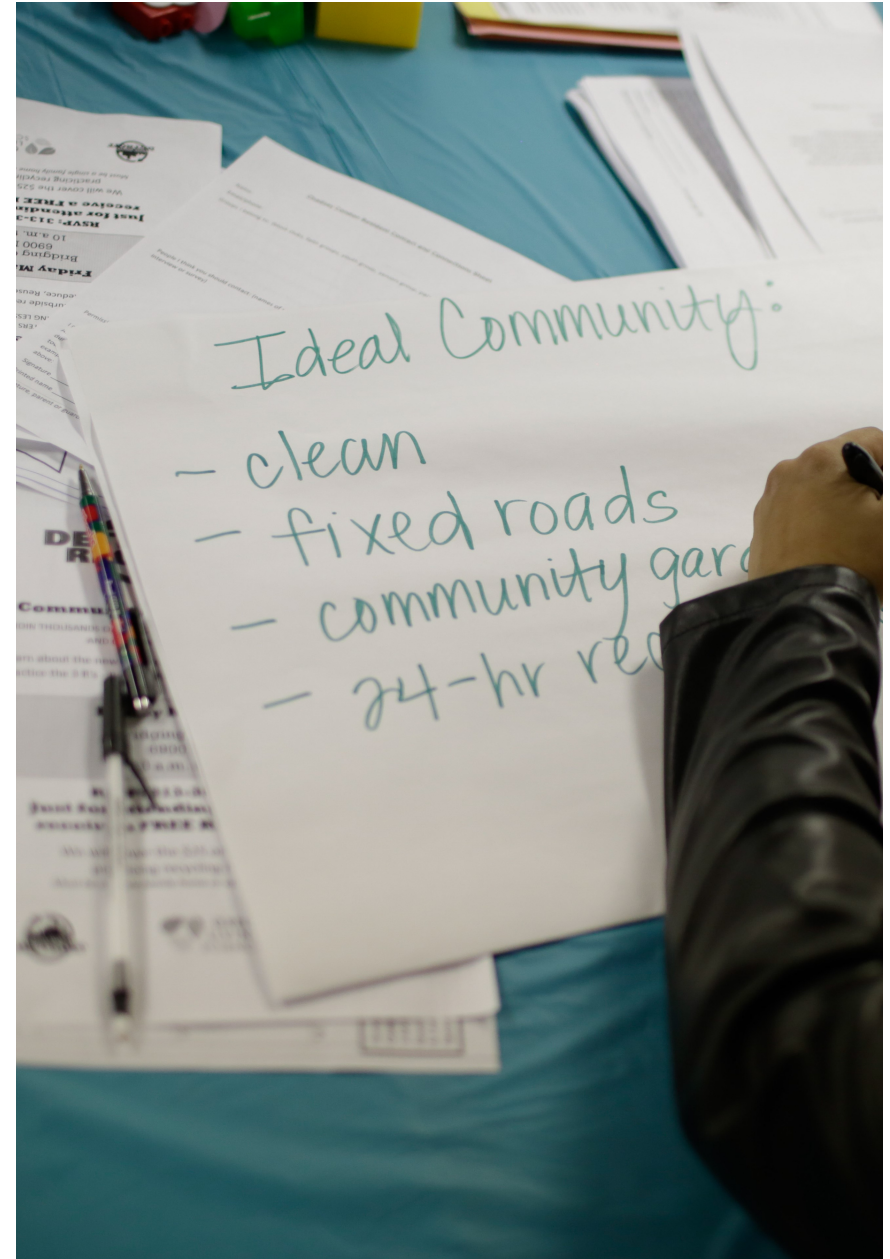
1. Rehab; Publically or Privately-Owned Commercial/Industrial
2. CI Building Acquisition, Construction, Rehabilitation
3. ED Direct Financial Assistance to For-Profits
4. ED Technical Assistance
5. Micro-Enterprise Assistance

Across FY15-FY21, funds allocated for Economic Development were primarily used for Direct Financial Assistance to For-Profits for a total of **\$11,032,599 (89%)**.

*CDBG Funds Allocated to Economic Development FY15-FY21*  
**\$12,389,701**



- REHAB; PUBLICLY-PRIVATELY OWNED COMMERCIAL/INDUSTRIAL
- CI BUILDING ACQUISITION, CONSTRUCTION, REHAB
- DIRECT ASSISTANCE TO FOR PROFITS
- TECHNICAL ASSISTANCE



Source: CDAD Community Planning meeting in Chadsey Condon (2017).

# CDBG Funding Characterized as Housing

## How can funds allocated to Housing be spent?

There are three subcategories within Housing CDBG funds may be allocated for:

### 1. Homeownership Assistance

The use of funds under this category is specifically **limited to assisting low- and moderate-income households** to assist them in the purchase of a home through the following activities:

- **Subsidize interest rates and mortgage principal amounts**, including making a grant to reduce the effective interest rate on the amount needed by the purchaser to an affordable level.
- Finance the cost of acquiring property already occupied by the household at terms needed to make the purchase affordable.
- Pay all or part of the premium (on behalf of the purchaser) for mortgage insurance required up-front by a private mortgagee. (This would include the cost for private mortgage insurance.)
- Pay any or all of the reasonable closing costs associated with the home purchase on behalf of the purchaser.
- Pay up to 50% of the down payment required by the mortgagee for the purchase on behalf of the purchaser

### 2. Rehabilitation

CDBG funds may be used to finance the costs of rehabilitation and to provide assistance. Examples include:

- **Costs**—Costs of labor, materials, supplies, and other expenses required
- **Financing**—Grants, loans, loan guarantees, interest supplements, and other forms of financial assistance
- **Refinancing**—Loans for refinancing existing indebtedness secured by a property being rehabilitated with CDBG funds, if such refinancing is determined by the grantee to be necessary or appropriate to achieve its community development objectives.
- **Property acquisition**—Assistance to private individuals and entities (whether profit or not-for-profit) to acquire for the purpose of rehabilitation and to rehabilitate properties for use or resale for residential purposes
- **Security devices**—Installation costs of sprinkler systems, smoke detectors, deadbolt locks, and other devices for security purposes
- **Insurance**—The costs of initial homeowner warranty premiums and, where needed to protect the grantee's interest in properties securing a rehabilitation loan, hazard insurance premiums as well as flood insurance premiums for properties covered by the Flood Disaster Protection Act of 1973
- **Rehabilitation services**—Staff costs and related expenses required for outreach efforts for marketing the program, rehabilitation counseling, screening potential applicant households and structures, energy auditing, preparing work specifications, loan underwriting and processing, inspections, and other services

### 3. Housing Services

CDBG funds may be used to pay costs in support of activities eligible for funding under the HOME program.

This includes services such as housing counseling in connection with tenant-based rental assistance and affordable housing projects, energy auditing, preparation of work specifications, loan processing, inspections, tenant selection, management of tenant-based rental assistance, and other services related to assisting owners, tenants, contractors, and other entities participating or seeking to participate in the HOME program.

#### How has Detroit expended CDBG funds allocated to Housing?

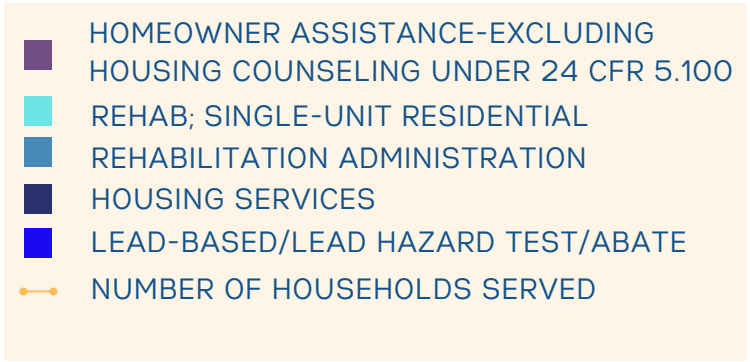
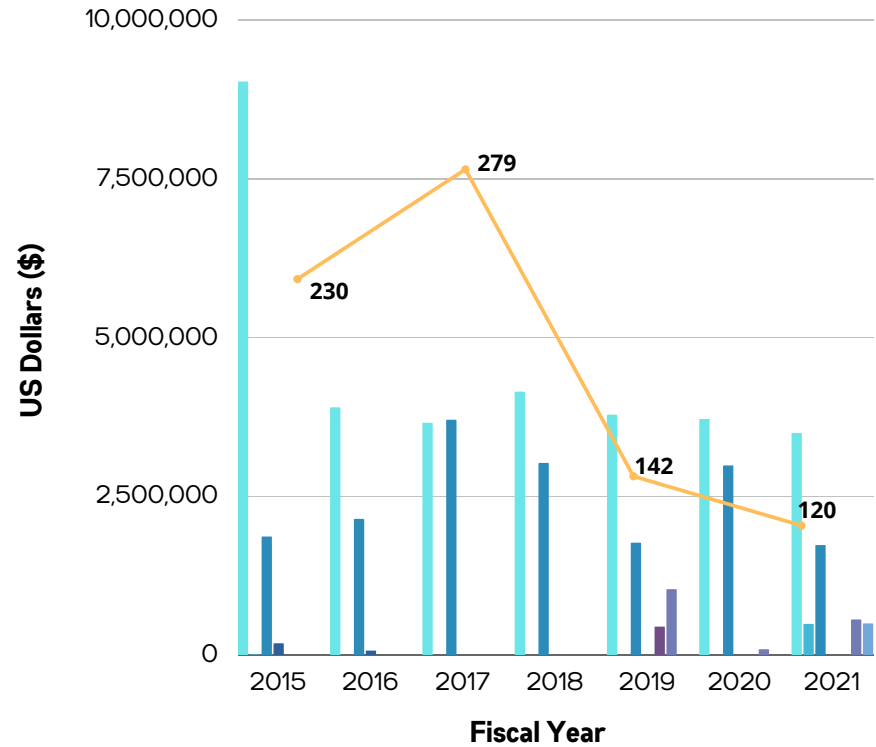
Between FY15 & FY21, **\$52,280,833** or **14.75%** of CDBG dollars has been allocated to Housing.

- 2015 - **\$11,087,840**
- 2016 - **\$6,113,137**
- 2017 - **\$7,347,626**
- 2018 - **\$7,155,740**
- 2019 - **\$7,027,979**
- 2020 - **\$6,778,890**
- 2021 - **\$6,769,621**

Within Housing there are seven (7) subcategories:

- 1.Rehab SF - **\$31,667,519**
- 2.Rehab Administration - **\$17,193,592**
- 3.Lead Test/Abatement - **\$1,693,537**
- 4.Rehab MF - **\$507,430**
- 5.Construction - **\$500,000**
- 6.Homeownership Assistance - **\$450,000**
- 7.Housing Services - **\$268,755**

#### CDBG Funds Allocated to Housing by City of Detroit FY15-FY21 **\$52,280,833**





# CDBG Funding Characterized as Public Facilities & Improvements

## How can funds allocated to Public Facilities & Improvements be spent?

CDBG funds under this category may be used for the:

- Acquisition (including long-term leases for periods of 15 years or more),
- Construction,
- Reconstruction,
- Rehabilitation (including removal of architectural barriers to accessibility), or
- Installation of public improvements or facilities (except for buildings for the general conduct of government).

CDBG funds under this category may **not** be used for the:

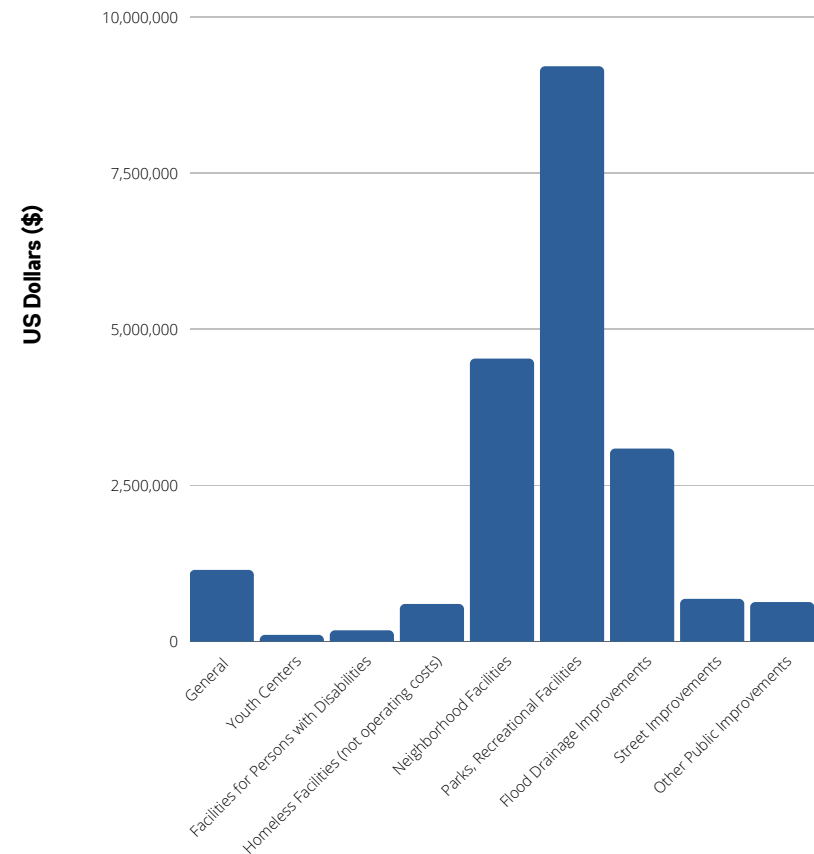
- Costs of operating or maintaining public facilities/improvements
- Costs of purchasing construction equipment;
- Costs of furnishings and other personal items such as uniforms; or
- New construction of public housing

## How has Detroit expended funds allocated to Public Facilities & Improvements?

Between FY15 & FY21, **\$20,130,483** total has been allocated to Public Facilities & Improvements.

- 2015 - **\$1,929,161**
- 2016 - **\$1,891,128**
- 2017 - **\$3,509,886**
- 2018 - **\$1,976,383**
- 2019 - **\$3,026,816**
- 2020 - **\$5,871,299**
- 2021 - **\$1,925,810**

*CDBG Funds Allocated to Public Facilities & Improvements FY15-FY21* **\$20,130,483**



# CDBG Funding Characterized as Public Services

## How can funds allocated to Public Services?

The Department of Housing and Urban Development (HUD) allows CDBG grantees (the City of Detroit) to use up to 15 percent of their annual grant toward public services. CDBG funds under this category may be used to provide public services (including labor, supplies, materials, and other costs) provided that the public service must be either a new service or a quantifiable increase in the level of service.

Public services include:

- Childcare
- Health care
- Job training
- Recreation programs
- Education programs
- Services for senior citizens
- Services for homeless persons
- Drug abuse counseling and treatment
- Energy conservation counseling and testing
- Homebuyer down payment assistance

In Detroit, the City Council provides public service grants to local nonprofits through the Neighborhood Opportunity Fund (NOF). This fund program is administered by the Housing and Revitalization Department (HRD) and has been in existence since 1976. The City Council currently awards grants in the areas of Education, Seniors, Recreation, Health and Public Safety.

## How has Detroit expended funds allocated to Public Services?

Between FY15 & FY21, **\$40,403,803** total has been allocated to Public Services.

There were twenty (20) activities funded under Public Services. Over the seven (7) year period, six (6) accounted for **76%** of the funds expended under Public Services, or **\$31,583,531**.

The top six (6) subcategories and their funding amounts are:

1. Youth Services - **\$13,084,778**
2. Operating Costs of Homeless/AIDS Patients Programs - **\$6,432,934**
3. Legal Services - **\$4,028,315**
4. Employment Training - **\$2,802,697**
5. Senior Services - **\$2,673,830**
6. Public Services (General) - **\$2,560,977**

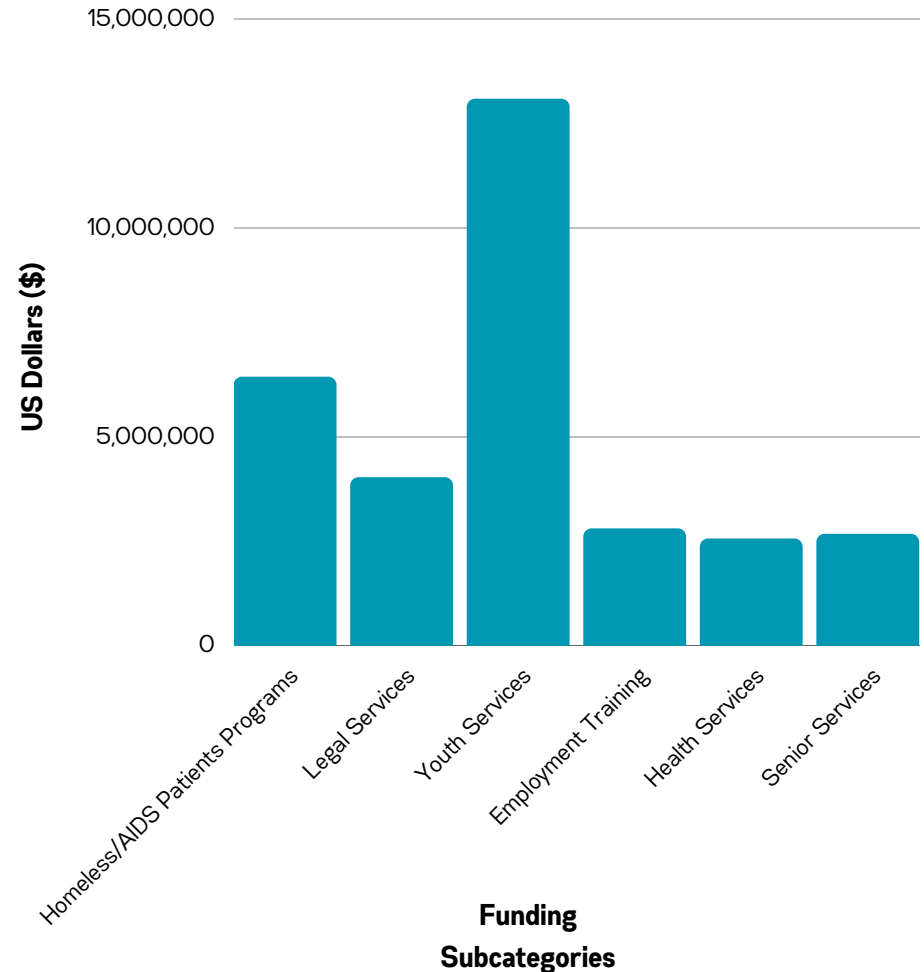
The remaining thirteen (13) subcategories are (no order):

- 7. Public Services (general)
- 8. Services for Persons with Disabilities
- 9. Transportation Services
- 10. Substance Abuse Services
- 11. Battered and Abused Spouses
- 12. Crime Awareness
- 13. Tenant/Landlord Counseling
- 14. Mental Health Services
- 15. Homeowner Assistance (not direct)
- 17. Subsistence Payment
- 18. Rental Housing Subsidies
- 19. Housing Counseling

### Smaller Detroit Nonprofits Want Access to Neighborhood Opportunity Fund Grant Dollars

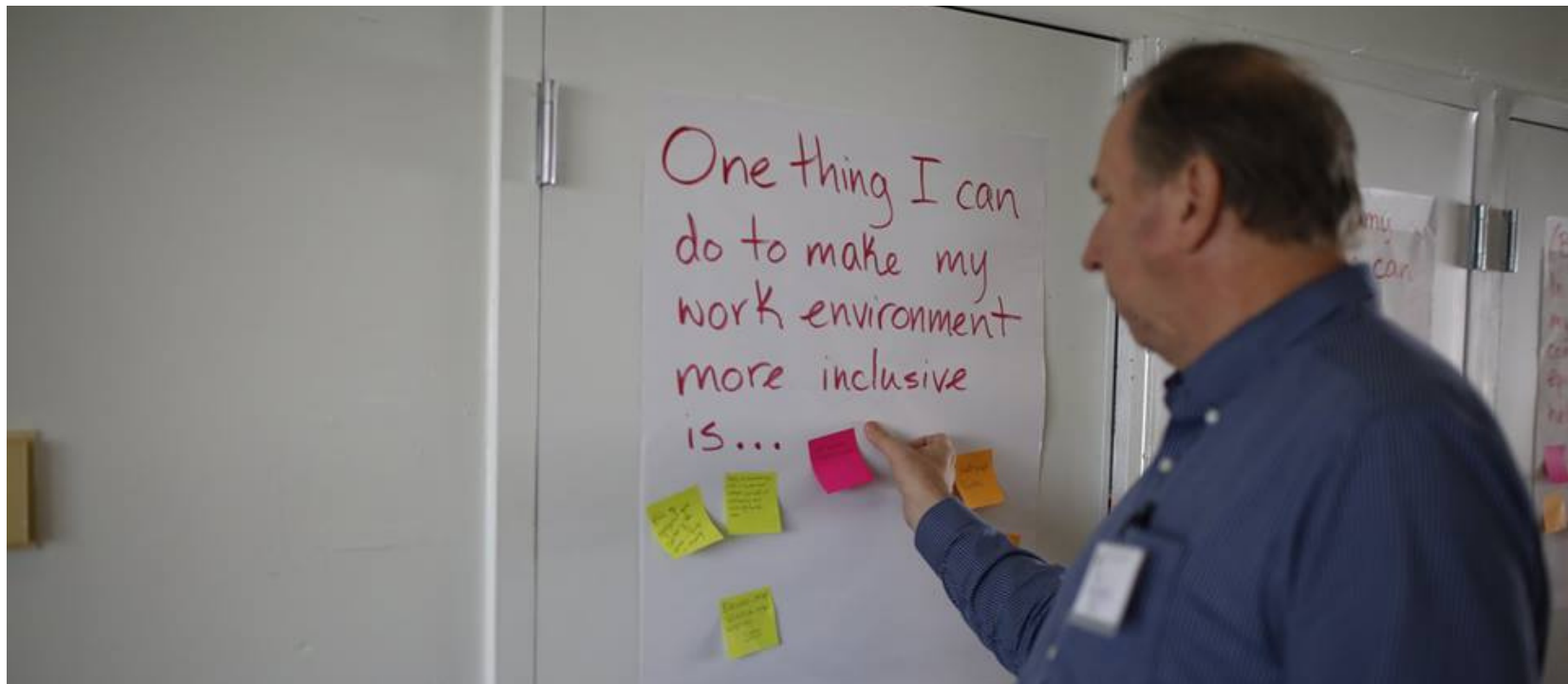
Through our surveys, targeted interviews, and conversations with CDAD members, smaller community groups and organizations face increased barriers to accessing NOF dollars when compared to larger nonprofits with larger budgets. Provided that the program is reimbursement-based, organizations must already have the cash to carry out the public service and once completed, it is reimbursed. According to HUD regulation 2 CFR 200.305, this reimbursement-based practice is not required for program compliance and grantees (the City of Detroit) are allowed to provide cash advances. Since there is no explicit regulation for cash advances, the general standard is that nonprofits or sub-recipients must disburse the funds to pay for CDBG program costs within three business days of receiving those funds from the grantee (the City of Detroit).

Six highest funded subcategories of Public Services FY15-FY21  
**\$31,583,531 Total**



Many community groups and nonprofits are doing excellent work in their neighborhoods but may not currently have the cash needed to provide an increase in their level of service. As a result, the same larger nonprofits tend to be awarded year after year resulting in a funding disparity that often falls along racial and/or socioeconomic lines.

For example, a 2021 survey called the Detroit Nonprofit Leadership Census found that only 66.5% of nonprofit leaders were Black, Indigenous, or people of color in a city with 78.3% of residents who are Black. Moreover, the survey found that organizations with leaders of color have assets up to \$1.8 million whereas most white-led organizations have assets up to \$3.6 million. Removing or minimizing the barrier of the reimbursement-based funding practice, and increasing access to NOF dollars for smaller nonprofits, could address this disparity and help them leverage the funding for further investment from philanthropy and other sources of investment.



Source: CDAD Community Development Week (2018).

# CDBG Funding Characterized as General Administration & Planning

## How can funds allocated to General Administration & Planning be spent?

CDBG funds under this category may be used for two subcategories:

### 1. Program Administration

CDBG funds may be used to pay reasonable program administration costs and carrying charges related to the planning and execution of community development activities.

Program administration costs include *staff and related costs required for overall program management, coordination, monitoring, reporting, and evaluation*

Costs that are charged to administrative costs and to Planning and Capacity Building are subject to a statutory limitation that **not more than 20%** of grant funds plus program income may be used for planning and administration.

### 2. Planning & Capacity Building

CDBG funds may be used for:

- Studies,
- Analysis,
- Data gathering,
- Preparation of plans, and
- Identification of actions that will implement plans.

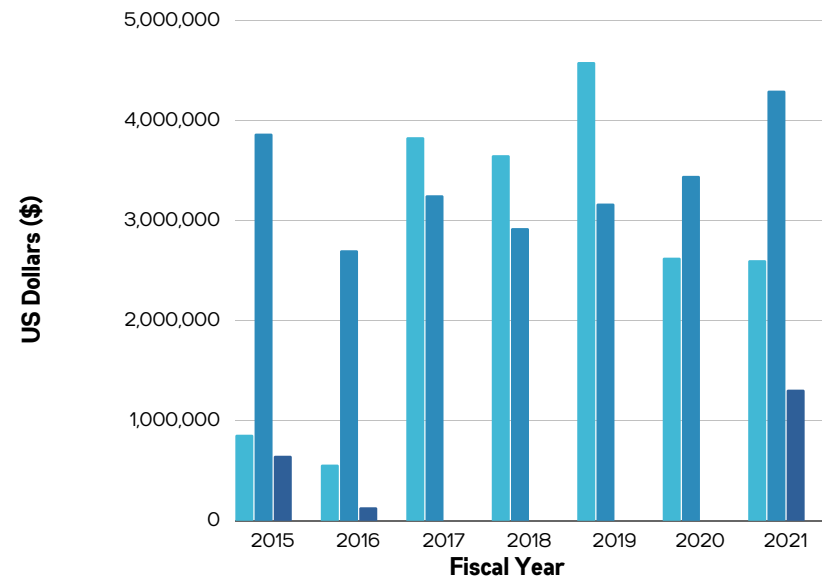
## How has Detroit expended funds allocated to General Administration & Planning?

Between FY15 & FY21, **\$44,400,896** total has been allocated to General Administration & Planning.

- 2015 - **\$5,368,751**
- 2016 - **\$3,392,956**
- 2017 - **\$7,071,834**
- 2018 - **\$6,564,724**
- 2019 - **\$7,740,975**
- 2020 - **\$6,063,142**
- 2021 - **\$8,198,514**

Over the seven (7) year period, funds were allocated to (3) areas Planning - **\$18,689,697**, Program Administration - **\$23,619,545**, and Indirect Costs - **\$2,091,654**.

*CDBG Funds Allocated to General Administration & Planning FY15-FY21* **\$44,400,896**



PLANNING INDIRECT COSTS GENERAL PROGRAM ADMINISTRATION

# CDBG Funding Characterized as Other

## How can funds allocated to Other be spent?

CDBG funds under this category may be used for **Interim Assistance**. CDBG funds may be used for certain activities on an interim basis, provided that the activities meet a national objective. There are two subcategories of interim assistance activities:

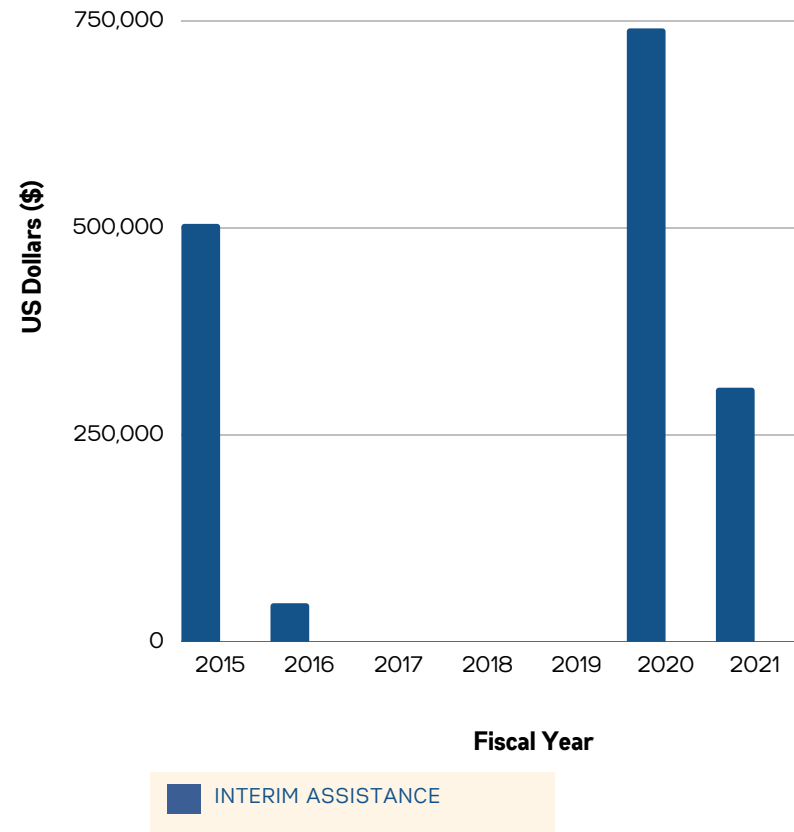
1. The first subcategory covers limited **improvements to a deteriorating area** as a prelude to permanent improvements.
  - a. Activities are limited to:
    - i. The repair of streets, sidewalks, public buildings, parks & playgrounds, and publicly-owned utilities
    - ii. The execution of special garbage, trash, and debris removal, including neighborhood cleanup campaigns.
2. The second subcategory covers activities to **alleviate an emergency condition**. To qualify:
  - a. The grantee's chief executive officer must determine that emergency conditions threatening public health and safety exist in the area and require immediate resolution
  - b. The activities that may be carried out with CDBG funds under this subcategory are limited to:
    - i. activities eligible under the first subcategory, except for the repair of parks and playgrounds;
    - ii. clearance of streets, including snow removal and similar activities; and
    - iii. improvements to private properties.

## How has Detroit expended funds allocated to Other?

Between FY15 & FY21, **\$1,596,352** total has been allocated to Other under the subcategory of **Interim Assistance**.

- 2015 - **\$504,112**
- 2016 - **\$0**
- 2017 - **\$0**
- 2018 - **\$0**
- 2019 - **\$0**
- 2020 - **\$740,293**
- 2021 - **\$306,182**

CDBG Funds Allocated to Other FY15-FY21  
**\$1,596,352 Total**



# CDBG Funding Characterized as Repayment of Section 108 Loans

## What is Section 108?

- Section 108 is the loan guarantee provision of the Community Development Block Grant (CDBG) program.
- Section 108 provides communities with a source of **financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects.**
- A grantee may borrow up to five times its annual grant under this authority.
- The loan repayment period can be for as long as 20 years.

## How can funds allocated to Repayment of Section 108 Loans be spent?

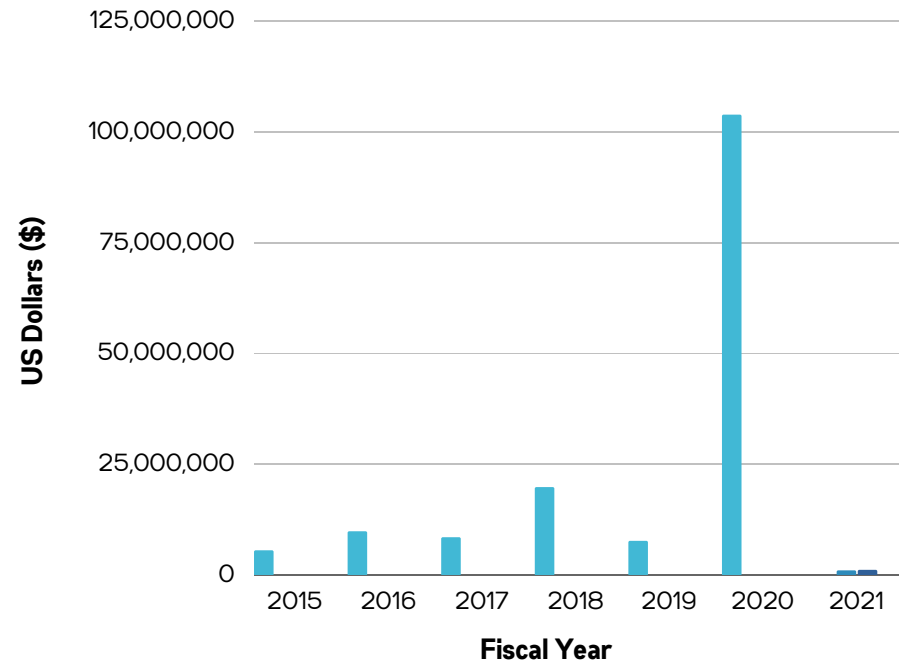
- Economic development activities eligible under CDBG;
- Acquisition of real property;
- Rehabilitation of publicly owned real property;
- Housing rehabilitation eligible under CDBG;
- Construction, reconstruction, or installation of public facilities (including street, sidewalk, and other site improvements);
- Related relocation, clearance, and site improvements;
- Payment of interest on the guaranteed loan and issuance costs of public offerings;
- Debt service reserves;
- Public works and site improvements; and
- In limited circumstances, housing construction as part of community economic development, Housing Development Grant, or Nehemiah Housing Opportunity Grant programs.

## How has Detroit expended funds allocated to Repayment of Section 108 Loans?

Between FY15 & FY21, **\$154,383,285** total has been allocated to Planned Repayment of Section 108 Loans. The Repayment of Section 108 Loans accounts for **44%** of all CDBG funds that were expended FY15-FY21.

- 2015 - **\$5,408,541**
- 2016 - **\$9,701,311**
- 2017 - **\$8,356,559**
- 2018 - **\$19,670,008**
- 2019 - **\$7,542,808**
- 2020 - **\$103,704,058**
- 2021- **\$1,900,593**

*CDBG Funds Allocated to Repayment of Section 108 Loans FY15-FY21* **\$156,283,878 Total**



■ PLANNED REPAYMENT OF SECTION 108  
■ DEBT SERVICE RESERVES  
■ PAYMENT OF INTEREST ON SECTION 108

# City of Detroit Section 108 Loan Guarantees in Repayment

Property Name	Principal Loan Amount	Year Loan Issued	Balance (as of 12/31/22)	Loan Expiration
Mexicantown	<b>\$7,789,000</b>	2019 (refunding)	<b>\$389,919</b>	2024
Book Cadillac	<b>\$10,700,000</b>	2019 (refunding)	<b>\$1,678,325</b>	2025
Garfield II (1)	<b>\$6,522,000</b>	2019 (refunding)	<b>\$2,885,417</b>	2025
Garfield II (2)	<b>\$2,058,000</b>	2019 (refunding)	<b>\$1,252,269</b>	2026
Garfield II (Sugarhill)	<b>\$6,697,000</b>	2015 (refunding)	<b>\$6,549,269</b>	2029



# City of Detroit Section 108 Loan Guarantees in Repayment

Property Name	Principal Loan Amount	Year Loan Issued	Balance	Loan Expiration
Garfield II (geothermal)	<b>\$1,393,000</b>	2015 (refunding)	<b>\$755,122</b>	2029
Woodward Garden (2)	<b>\$6,197,000</b>	2008	<b>\$3,474,851</b>	2027
Woodward Garden (1)	<b>\$5,753,000</b>	2015 (refunding)	<b>\$4,447,691</b>	2031
Fort Shelby	<b>\$18,700,000</b>	2019 (refunding)	<b>\$7,512,390</b>	2026

**Total Outstanding Balance as of 12/31/22 = \$28,954,253**

# Section 108 Loan Guarantees

Community Development Block Grant Program, Detroit, MI



Sources: Community Development Advocates of Detroit, 2023; Data Driven Detroit. Created January 2023.



# Monitoring CDBG

Information from HUD Exchange

## Importance of Monitoring CDBG

Under *2 CFR Part 200*, grantee (City of Detroit) monitoring of subrecipient activities is required to ensure that (1) subawards are used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward, and (2) subaward performance goals are achieved. When no monitoring or insufficient monitoring occurs, **the grantee (City of Detroit) may risk losing HUD funding.**

Regulations at *2 CFR Part 200* require grantees to establish and maintain effective internal controls for themselves and ensure that their subrecipients do the same.

## Has Detroit been compliant and in accordance with Federal statutes, rules, and regulations?

**No** - In June of 2021 the US Department of Housing and Urban Development (HUD) conducted remote monitoring of multiple grant programs including CDBG, Emergency Solutions Grant (ESG) Program, and Housing Opportunities for Persons with AIDS (HOPWA) Program in order to assess the City's organizational performance and compliance with Federal requirements. The performance of the programs was assessed through a review of operations, file documents, and interviews.

HUD's review resulted in the identification of **twenty-eight (28)** Findings and **one (1)** Concern. **This is compared to the eight (8) Findings found in 2018, the last year HUD monitoring was completed.** A **Finding** is a deficiency in program performance based on a violation of a statutory or regulatory requirement.

A **Concern** is a deficiency in program performance that is not based on a statutory or regulatory requirement but is brought to the grantee's attention. Corrective Actions to address the noncompliance are identified for all Findings. Recommended Corrective Actions are identified for Concerns.

The following pages include a chart of all twenty-eight findings and concerns along with the regulations that were violated, the cause of the violation, and the effect the violation may have.

# HUD Findings from City of Detroit Monitoring Report 2021

	Finding	Regulation(s) Violated	Cause	Effect
1	The Information reported in Integrated Disbursement and Information System (IDIS) and CAPER was inaccurate.	24 CFR 91.525(a)(3); 24 CFR 570.506; 24 CFR 91.520(a); 24 CFR 91.520(d); 24 CFR 570.502(a); 2 CFR 200.302(b)(2)	There was a lack of cooperative procedures between offices to ensure information in the CAPER was accurate.	Incorrect and missing data results in compliance issues and a lack of program transparency.
2	There was insufficient oversight to ensure that the subrecipient complied with 2 CFR Part 200	2 CFR 200.305(b)(1)	The city had insufficient internal controls to ensure that the language in the subrecipient agreement was clear and accurate; did not ensure subrecipient was prepared; did not maintain accurate account of project records.	Failure for a subrecipient to comply with federal regulations may result in disallowed costs and repayment of funds.
3	The city failed to ensure its subrecipients complied with the Federal Conflict of Interest regulations. These potential violations are related to either City employees or their relatives participating in and benefiting from the services offered by the Motor City Match program.	24 CFR 570.611	The city's written conflict of interest provisions was inadequate. There were no safeguards in place to administer and enforce compliance.	Loss of program integrity and possible nullification of contracts resulting in questioned costs and repayments.
4	There was insufficient documentation that established the actual lines of responsibility for HUD awards. (In 2018 monitoring report as concern #1)	2 CFR 200.303(a)	The work processes for managing the HUD awards were not fully mapped from the beginning to end crossing across offices, which left gaps in lines of responsibilities.	Gaps in responsibility increase the risks that HUD awards won't meet their intended goals and won't be spent according to program requirements.

	<b>Finding</b>	<b>Regulation(s) Violated</b>	<b>Cause</b>	<b>Effect</b>
<b>5</b>	The Section-108 Loan contract requirements were not fully carried out.	Section 108 of the Housing and Community Development Act of 1974, as amended, 42 U.S.C. Section 5308	The City did not manage the Section 108 loans in compliance with the requirements of the Contract; did not follow the contract language and transfer unused funds to the Loan Repayment Account, there was an increased risk that the city drew down CDBG funds from the line of credit before using locally available funds.	HUD was not able to fulfill its oversight responsibilities with respect to the City's Section 108 loans.
<b>6</b>	Insufficient records were provided to evidence that the single audit services were procured according to the 2 CFR Part 200: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards	2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards: 24 CFR 5700.520(a) for CDBG and CDBG-CV; 24 CFR 576.407(c) and 24 CFR 576.500(u) for ESG; and 24 CFR 574.605 for HOPWA. 2 CFR 200.509(a).	The procurement history records for auditing services were not maintained in such a way that HRD could provide them upon request by HUD for the monitoring session.	Without the records, it was not possible to verify the audit services were procured in accordance with regulations required under 2 CFR 200.509.
<b>7</b>	There was insufficient source documentation to support the information in the financial management system regarding expenditures.	24 CFR.502(a); 2 CFR 200.302(b)(3)	The City's financial management procedures didn't include making sure information was contained in the documentation to explain how the costs matched up to the entries in the accounting records. Also, the City's procedures didn't include checking the subrecipient's cost allocations.	The City's financial reporting loses its integrity when the cost support doesn't match the accounting entries. Insufficient support leads to concerns over the proper use of the grant funds.
<b>8</b>	There was insufficient source documentation to support the information in the financial management system regarding expenditures.	24 CFR 570.502(a), 2 CFR Part 200, 2 CFR 200.302(b)(3)	The City's financial management procedures didn't include making sure information was contained in the documentation to explain how the costs matched up to the entries in the accounting records. Also, the City's procedures didn't include checking the subrecipient's cost allocations.	The City's financial reporting loses its integrity when the cost support doesn't match the accounting entries. Insufficient support leads to concerns over the proper use of the grant funds.

	<b>Finding</b>	<b>Regulation(s) Violated</b>	<b>Cause</b>	<b>Effect</b>
<b>9</b>	The system for tracking program income generated by the City and its subrecipients was inadequate.	24 CFR 570.504, 24 CFR 570.502(a), 2 CFR 200.302(b)(3)	There were insufficient procedures for program income recordkeeping and reporting.	Without sufficient program income recordkeeping and reporting, there is an increased risk that the funds won't be used in accordance with program requirements.
<b>10</b>	There was insufficient documentation to evidence that the CDBG economic development activities complied with Federal regulations.	24 CFR 570 Subpart C, 24 CFR 570.200(a)(2), 24 CFR 570.208, 24 CFR 570.209, 24 CFR 570.203, 24 CFR 570.502	There were no procedures requiring the subrecipient to maintain the correct documentation to evidence every assisted activity was a CDBG eligible activity that met a national objective cited under 24 CFR 570 Subpart C and complied with the cost principles cited under 2 CFR Part 200. There weren't procedures for making sure the economic development activities were correct in IDIS or for documenting compliance with the CDBG Economic Development Underwriting and Public Benefit Standard requirements.	It was not evident that the CDBG economic development activities complied with federal regulations.
<b>11</b>	There was inadequate reporting on the Neighborhood Revitalization Strategy Areas (NRSAs).	24 CFR 91.520(d)	The City did not comply with the NRSA reporting requirements because of a lack of oversight to ensure that its NRSA strategies put forth in its application were implemented according to HUD regulations and guidance. There were no policies and procedures to help ensure oversight.	Without sufficient program income recordkeeping and reporting, there is an increased risk that the funds won't be used in accordance with program requirements.
<b>12</b>	There were insufficient records to support that IDIS activities met the CARES Act Tieback requirements.	Section III.B.5. (a) Use of Funds for CARES Act, FR-6218-N-01 (CDBG-CV Federal Register Notice)	The City incorrectly determined that cost overruns for an existing CDBG activity met the requirement to prevent, prepare for, and respond to the coronavirus.	Insufficient analysis and documentation leads to an increased risk of questioned or disallowed costs.

	<b>Finding</b>	<b>Regulation(s) Violated</b>	<b>Cause</b>	<b>Effect</b>
<b>13</b>	There were procurement deficiencies for construction management services	2 CFR 200.318(a)	The City lacked sufficient policies and written procedures to ensure their program complied with all the procurement requirements. Allowing contractors to continue to work and be paid after a contract expired reflected a systemic weakness in the overall planning and financial management process administered across multiple municipal offices.	Improperly procured contracts may result in disallowed costs.
<b>14</b>	There was insufficient eligibility and cost documentation for CDBG-CV	24 CFR 570 (C), 2 CFR 200 (D)(E)	There was insufficient documentation to support how the activities met the CDBG-CV eligibility requirements.	Insufficient analysis and lack of supporting documentation can lead to questioned or disallowed costs. Without adequate CDBG-CV record keeping, the City runs a risk of losing track of funds, ineffective management of the funds, and potential fraud.
<b>15</b>	There were insufficient records to support that IDIS activities met the CARES Act Duplication of Benefit (DOB) requirements	CARES Act and described in FR-6218-N-01 (CDBG-CV Federal Register Notice), Section 312 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, section 1210 of the Disaster Recovery Reform Act of 2018	The City's procedures were not enough to prevent a DOB individually or collectively because they did not include, at a minimum: (1) A requirement that any person or entity receiving CDBG-CV assistance (including subrecipients and direct beneficiaries) must agree to repay assistance that is determined to be duplicative; and (2) a method of assessing whether the use of CDBG-CV funds will duplicate financial assistance that is already received or is likely to be received by acting reasonably to evaluate need and the resources available to meet that need.	Without a strategy that includes procedures sufficient to avoid DOB for each Coronavirus relief funding stream, there is an increased risk of unmet needs. Moreover, for CDBG-CV, there is a greater potential for questioned or disallowed costs.

	<b>Finding</b>	<b>Regulation(s) Violated</b>	<b>Cause</b>	<b>Effect</b>
<b>16</b>	There were insufficient records to evidence that the debarment list was checked for CDBG-CV non-Federal entities for activity #8828 (REC Center).	24 CFR 570.502 (a), 2 CFR 200.213, 2 CFR 180.300 and 2 CFR 2424.300	There were insufficient internal controls to ensure a record was made evidencing that the debarred list was checked.	Not verifying that a contractor is debarred is a violation of program requirements that could lead to re-payment if a contractor turns out to be debarred after awarding a project.
<b>17</b>	Inaccurate reporting in the Integrated Disbursement and Information System (IDIS) for CDBG-CV.	24 CFR 570.200(a)(2), 24 CFR 570.506(b), 24 CFR 91.525(a)(3),	There were several IDIS activity set up errors observed including inaccurate or incomplete information for Project ID, Activity Name, Activity Category, Environmental Review, Activity Description, National Objective, Accomplishment Type, and Address.	Failure to provide accurate & complete documentation in IDIS undermines program performance, regulatory compliance, and HUD oversight. Insufficient analysis and supporting documentation can lead to improper draws, inaccurate financial reporting, and potential fraud.
<b>18</b>	The City does not have a system in place for complying with the Federal Funding Accountability and Transparency Act of 2006 (FFATA).	24 CFR 576.500(a), (aa); 2 CFR 200.300(b)	The City lacked sufficient written policies and procedures to comply with this requirement.	Missing FSRS reports could lead to concerns about the integrity of the City's programs.
<b>19</b>	The financial information reported to HUD in the 2018 Consolidated Performance and Evaluation Report (CAPER) did not match the financial records.	576.407(c) and 24 CFR 576.500(u), 2 CFR 200.302(b)(2)	There were no procedures for making sure the financial information in the CAPER was accurate and matched what was recorded in the City's local accounts.	Inaccurate reporting leads to concerns over grant program integrity and the use of the funds.
<b>20</b>	The City did not have a system in place for complying with the Federal Funding Accountability and Transparency Act of 2006 (FFATA).	24 CFR 576.500(a), (aa); 2 CFR 200.300(b)	The City lacked sufficient written policies and procedures for this requirement.	Missing reports in FSRS could lead to concerns about the integrity of the City's programs.
<b>21</b>	The Consolidated Performance and Evaluation Reports (CAPERs) were inaccurate.	24 CFR 574.520 and 24 CFR part 91, 24 CFR 574.605, 2 CFR 200.302(b) (2)	There were no procedures for making sure the information in the CAPER was accurate and matched what was in IDIS, the City's local accounts, and in the financial statements.	Inaccurate reporting leads to concerns over the integrity of the grant program.



	<b>Finding</b>	<b>Regulation(s) Violated</b>	<b>Cause</b>	<b>Effect</b>
<b>22</b>	There was insufficient source documentation to support the information in the financial management system regarding expenditures.	24 CFR 576.407(c) and 24 CFR 576.500(u), 2 CFR 200.302(b)(3),	The City's financial review procedures didn't include recordkeeping for aligning the dollar amount in the cost support to the amount of the accounting transaction. Also, the procedures didn't include identifying the subrecipient's basis for allocating costs to an ESG activity according to its appropriate share of such costs and there wasn't a check to be sure the math used for dividing the costs was correct.	The integrity of the City's financial reporting is at risk when the cost support doesn't match the accounting entries. Insufficient support for costs increases the risk of the improper use of funds.
<b>23</b>	There was insufficient source documentation to support the information in the financial management system regarding expenditures and payments.	24 CFR 574.605, 2 CFR 200.302(b)(3), 24 CFR 574.460	The records were not organized and maintained in a way that they could be readily accessible for HUD to review.	The City was unable to meet the requirements of the monitoring visit.
<b>24</b>	The written agreements did not meet the Federal requirements.	24 CFR 574.60, 2 CFR Part 200, 2 CFR Part 331, 2 CFR 200.332(a)	DHD lacked the internal controls needed to ensure that SEMHA's dual roles of contractor and Project Sponsor were appropriately defined in accordance with 2 CFR Part 200 requirements. DHD had insufficient written policies and procedures outlining all the HUD requirements to provide the necessary oversight of SEMHA or the two non-profit agencies providing HOPWA-assisted community residences. The standard written subrecipient agreement used by the City was not used in the contracting process with the project sponsors.	Unclear roles and incorrect written agreements increase the risks for mistakes in program implementation and noncompliance with Federal regulations.

	<b>Finding</b>	<b>Regulation(s) Violated</b>	<b>Cause</b>	<b>Effect</b>
<b>22</b>	There was insufficient source documentation to support the information in the financial management system regarding expenditures.	24 CFR 576.407(c) and 24 CFR 576.500(u), 2 CFR 200.302(b)(3),	The City's financial review procedures didn't include recordkeeping for aligning the dollar amount in the cost support to the amount of the accounting transaction. Also, the procedures didn't include identifying the subrecipient's basis for allocating costs to an ESG activity according to its appropriate share of such costs and there wasn't a check to be sure the math used for dividing the costs was correct.	The integrity of the City's financial reporting is at risk when the cost support doesn't match the accounting entries. Insufficient support for costs increases the risk of the improper use of funds.
<b>23</b>	There was insufficient source documentation to support the information in the financial management system regarding expenditures and payments.	24 CFR 574.605, 2 CFR 200.302(b)(3), 24 CFR 574.460	The records were not organized and maintained in a way that they could be readily accessible for HUD to review.	The City was unable to meet the requirements of the monitoring visit.
<b>24</b>	The written agreements did not meet the Federal requirements.	24 CFR 574.60, 2 CFR Part 200, 2 CFR Part 331, 2 CFR 200.332(a)	DHD lacked the internal controls needed to ensure that SEMHA's dual roles of contractor and Project Sponsor were appropriately defined in accordance with 2 CFR Part 200 requirements. DHD had insufficient written policies and procedures outlining all the HUD requirements to provide the necessary oversight of SEMHA or the two non-profit agencies providing HOPWA-assisted community residences. The standard written subrecipient agreement used by the City was not used in the contracting process with the project sponsors.	Unclear roles and incorrect written agreements increase the risks for mistakes in program implementation and noncompliance with Federal regulations.

	<b>Finding</b>	<b>Regulation(s) Violated</b>	<b>Cause</b>	<b>Effect</b>
<b>25</b>	There were insufficient or inadequate records to demonstrate compliance with HUD's procurement requirements.	24 CFR 574.605, 2 CFR Part 20, 2 CFR 200.318	There continues to be a disconnect between City departments during the procurement of contracts. This was also cited as a Concern in the 2020 NSP monitoring report dated April 4, 2020. This is representative of the need for cross-training of all staff, including those in Legal, in the requirements for the specific HUD programs.	Insufficient procurement documents and records could result in disallowed costs and the repayment of Federal funds.
<b>26</b>	There were open FY2019 and FY2020 Single Audit findings for HOPWA.	24 CFR 574.650, 2 CFR part 200, subpart F	There were two errors in the rental assistance calculations because the participant rent contributions were not reviewed prior to the participant's assessment. There was insufficient follow through on unmet housing quality standards because the City did not have specific guidelines on what happens in the event of a failed inspection or what constituted timely repairs. Also, the City did not have a tracking mechanism for failed inspections.	The incorrect calculations caused ineligible costs. The insufficient follow through on unmet housing quality standards caused substandard Federally subsidized housing.
<b>27</b>	The City did not comply with HUD's Conflict of Interest provisions.	2 CFR 200.318, 24 CFR 574.625	DHD's written conflict of interest provisions are inadequate. And although HRD has written conflict of interest provisions, there are no internal review or enforcement procedures in place to ensure subrecipients and other city departments comply with those provisions (this was a documented issue with the Motor City Match program as well).	Loss of program integrity and possible nullification of contracts resulting in questioned costs and repayments.

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<b>Finding</b>	<b>Regulation(s) Violated</b>	<b>Cause</b>	<b>Effect</b>
There were insufficient or inadequate records to demonstrate compliance with HUD's procurement requirements.	24 CFR 574.605, 2 CFR Part 20, 2 CFR 200.318	There continues to be a disconnect between City departments during the procurement of contracts. This was also cited as a Concern in the 2020 NSP monitoring report dated April 4, 2020. This is representative of the need for cross-training of all staff, including those in Legal, in the requirements for the specific HUD programs.	Insufficient procurement documents and records could result in disallowed costs and the repayment of Federal funds.
Concern #1: The documentation submitted by subrecipients contains personally identifiable information (PII).		The subrecipient didn't redact the information before submitting the payment request.	Visible full social security numbers are an unnecessary security risk.

# CDAD Recommendations for Equitable Use of CDBG in Detroit

The following goal and recommendations were developed through a partnership between the Community Development Advocates of Detroit's (CDAD) Policy Committee and Building the Engine of Community Development in Detroit's (BECCD) System Capitalization Task Force. These recommendations aim to serve as a catalyst in developing and strengthening the partnership between the City of Detroit and neighborhood-based nonprofits to achieve goals around affordable housing, single-family housing repair and rehabilitation, neighborhood-based development, community engagement, capacity building, and improved oversight. Please find the outlined goal and recommendations below:

## Shared Goal for CDBG, CARES, ARPA, & Other Federal Funding

Detroit residents and community stakeholders will work collaboratively and advocate that the HUD Consolidated Plan, approved ARPA, CARES, and other federal spending programs reflect an equitable agenda for long-term neighborhood investment; one that is developed through a meaningful community engagement process designed by community stakeholders and holds all parties accountable.

## Recommendation 1: The City of Detroit Should Expand the Use of CDBG Funds to Facilitate Meaningful Community Engagement and Citizen Participation as Required by HUD

1. The City of Detroit should partner with CDAD and its members to develop and implement an annual process to ensure maximum, feasible, citizen participation in setting CDBG priorities.
2. The City of Detroit should provide adequate funding for Community Planning and Capacity Building projects funded through CDBG to provide studies, analysis, data gathering, preparation of plans, and identification of actions to implement plans as required by HUD.
3. The City of Detroit should make all CDBG-funded studies, analyses, and plans accessible through the City of Detroit website.

## **Recommendation 2: The City of Detroit Should Use CDBG Funds to Establish, Finance, and Expand Affordable Homeownership Programs and Strategies**

1. The annual CDBG allocation process should adhere to a minimum threshold percentage of the total annual allocation for Home Repair and Home Rehabilitation projects
2. Require that CDBG funds in the Affordable Housing Leverage Fund (AHLF) are targeted to provide below-market loans and equity investments into single-family homeownership projects for low- to moderate-income residents
3. Provide adequate funding for nonprofit developers to successfully complete single-family housing rehabilitation of vacant, unoccupied dwellings
4. Allocate funding to subsidize interest rates and mortgage principal amounts to assist renters in acquiring property occupied by the household
5. Increase the annual allocation into the United Community Housing Coalition's Make It Home Program

## **Recommendation 3: The City of Detroit Should Expand the Neighborhood Opportunity Fund (NOF) and Use CDBG to Assist in the Capacity Building and Technical Assistance of Smaller Nonprofits**

1. Set aside a percentage of the annual CDBG allocation to provide general operating support to qualified smaller nonprofits to build their organizational capacity
2. Identify and fund a nonprofit to serve as a fiduciary to assist smaller nonprofits in getting CDBG dollars to build capacity and carry out community development work
3. Provide 30% cash advancement to nonprofits that receive dollars through the Neighborhood Opportunity Fund and end

the practice of reimbursement-based funding to subrecipients

4. Allow 2-year NOF grants to minimize the administrative burden on city staff and grantee
5. Leverage CDBG dollars for further investment in capacity building from philanthropy and banks through the Community Reinvestment Act requirements

Grantees have two general methods available to transfer CDBG grant funds to sub-recipients: the **reimbursement method** and the **cash advance method** (2 CFR 200.305).

- **The reimbursement method** is a transfer of grant funds to the organization **based on actual expenditures paid before the request for funds.**
- **The cash advance method** is the transfer of CDBG funds from the grantee based upon the organization's request (and information on obligations) **before the actual cash disbursements have been made.**

### ***Example language of implementation of cash advances - Arizona Department of Housing***

Section 205.4 of Treasury Circular 1075 establishes the basic standards for timely disbursement as follows:

- Cash advances to a recipient organization shall be limited to the minimum amounts needed and shall be timed to be in accord only with actual, immediate cash requirements of the recipient organization in carrying out the purpose of the approved program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual disbursements by the recipient organization for direct program costs and the proportionate share of any allowable indirect costs.

- Cash advances made by primary recipient organizations (e.g. State) to secondary recipient organizations (e.g. UGLGs) shall conform to the same standards of timing and amount as apply to cash advances by Federal program agencies to primary recipient organizations. It is ADOH policy that timely disbursement for CDBG funds is ten (10) days from the UGLG's receipt of the ADOH warrant. If circumstances are such that not all of the requested funds will be disbursed within this period, the UGLG must contact their ADOH Contract Specialist immediately for further instructions.

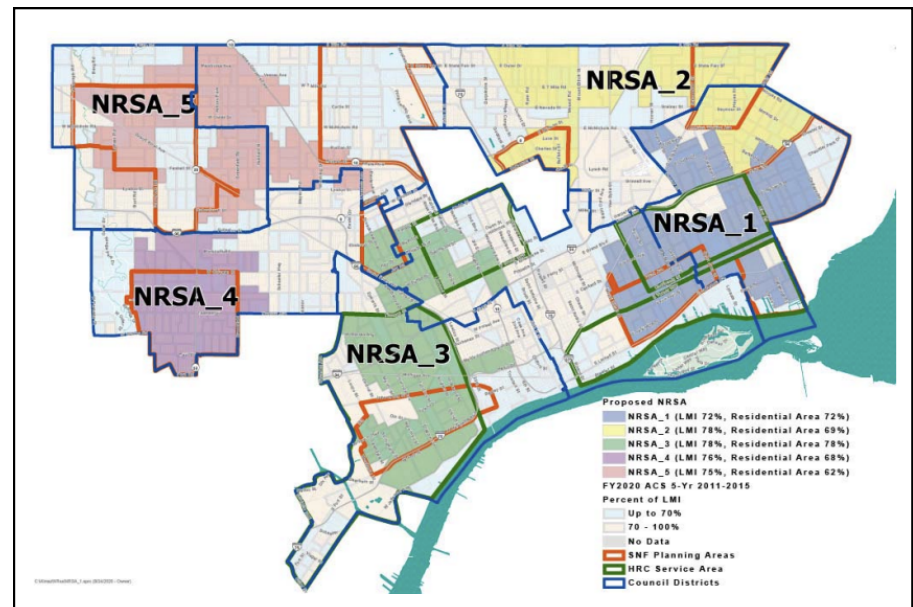
**Recommendation 4: Limit all or a significant percentage of future Section-108 Loan Guarantees to neighborhood development projects outside of downtown**

1. The City of Detroit should use CDBG program income - especially from HUD 108 Loan Repayments - to expand additional CDBG-eligible activities and invest in development projects outside of downtown.
2. Require public participation when deciding what projects will receive Section-108 Loan Guarantees

**Recommendation 5: The City of Detroit Should Institute Neighborhood Revitalization Strategy Area (NRSA) Controls**

1. Change the way NRSA benefits are calculated to ensure that the maximum benefit is provided to low- and moderate-income residents and not those at or above 60% of the Area Median Income (AMI)
2. Provide annual monitoring and reporting of NRSA outcomes to increase oversight

Neighborhood Revitalization Strategy Areas (NRSAs) are areas that grantees can designate for targeted Community Development Block Grant (CDBG) investment in low-income communities. Communities with approved NRSAs are offered enhanced flexibility in how they use CDBG dollars to incentivize economic development, housing, and public service activities. NRSAs must be contiguous, primarily residential and 51-70 percent of the residents within the area must be low- to moderate-income. Furthermore, the community must be involved in the process of designating NRSAs. The City of Detroit has five (5) NRSAs across the city at the 70 percent threshold and includes 551 block groups.



Source: City of Detroit FY 2020-2024 NRSA Application Draft 10-19-20

**Recommendation 6: The City of Detroit Should Partner with Philanthropy and Community Development Sector to Monitor CDBG Budgeting and Spending to Eliminate Years of HUD Findings that Jeopardize the City's Annual CDBG Allocation**

1. Provide funding for external community monitoring and engagement on the HUD Consolidated Plan, Annual Allocation Plan, and Expenditure Reporting to increase oversight and prevent the risk of losing our annual CDBG allocation





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