

Developing the Program Design

When CDBG funds will be used for façade improvements, a CDBG Grant Agreement will not be issued until the Grantee creates and adopts a Façade Renovations Program Design setting forth the policies and guidelines that the Grantee will use to implement the program. The Program Design must be approved by DHCD and adopted by the local governing body. The executed Program Design must be scanned in its entirety and as a single document and uploaded into “Reports and Communication” in CAMS as a *contract* document.

The Program Design must be tailored to the needs of the downtown district, and therefore DHCD does not provide a model Program Design. However, there are a number of items to be considered and several DHCD requirements that must be followed. DHCD’s program design requirements are provided immediately below and technical assistance considerations follow.

Purpose and Objective

Provide a description outlining the broad objective of the façade renovations program as funded.

Project Area Boundaries

The Program Design must adopt project area boundaries that identify the location in which façade renovation benefits will be made available. These project boundaries must coincide with the project area boundaries of the CDBG-funded project. The boundaries may take into account both physical and social considerations. A copy of the project area map should be attached to the Program Design.

Policy Requirements

The following requirements must be incorporated into a Façade Renovations Program Design:

- Grantees must adopt design guidelines for the project area and include them in the Program Design;
- All CDBG- and leverage-funded building improvements must be done in a manner consistent with the established design guidelines;
- All CDBG- and leverage-funded building improvements from the time of the CDBG Grant Agreement’s execution forward must be maintained to the design guidelines for a period of ten (10) years;

- As part of the application form, all business owners who apply for façade improvements funds must provide the GRANTEE with a Dun & Bradstreet or DUNS number.
- A five (5) year lien must be placed on the building by the Grantee requiring maintenance of the façade. The lien amount will be repaid or transferred if the property is sold. The lien amount may be forgiven by one-fifth each year;
- CDBG assistance can only be used for improvements to the exterior of the building;
- CDBG assistance on non-street façades must receive DHCD's prior written approval;
- All buildings receiving CDBG funds must be free of blight once the construction is complete;
- There must be some level of private investment matched with the CDBG investment. Private investment may be used for interior improvements or a share of exterior improvements;
- If a property owner of a blighted structure will not participate in the façade program, the Grantee must make at least minimal improvements e. g., painting to the structure using CDBG or leverage funds. The Grantee must commit to take and condemn blighted properties if the property owner(s) do not consent to the minimal improvements;
- Contracting procedures, including that CDBG improvements must be bid out by the Grantee and a three-party contract must be executed between the Grantee, the contractor and the building owner before work begins;
- All Federal Labor Standards requirements apply for construction contracts over \$2,000 using any CDBG funds. See Chapter 8: Federal Labor Standards and Equal Opportunity Requirements for more details;
- For building owners who opt to use their own time and labor as match, the Grantee must utilize standard wage rates for job types for building owners who choose to use their time as a match. DHCD will provide wage information based on federal wage rates for various job types; and
- Building owners may choose to have a contractor of their own choosing perform the construction work. Building owners who are also contractors may choose to have their personal company do the construction work. In such instances CDBG funds can be used for documented material costs only.

Additionally, the Program Design must explain the following:

- Parameters of the grant/loan program, including the following:

- Applicant and property eligibility criteria;
- Whether CDBG funds are disbursed as loans or grants and payback requirements;
- The maximum amount that can be loaned out. This amount will be negotiated between the Grantee and DHCD and based upon project area, need and budget constraints;
- Whether building owners are required to supply a cash “match” and if so, what percentage and for what purpose;
- Whether and how a building owner may provide a “match” with something other than cash;
- How the design professional will interact with and accommodate the design preferences of the individual property owners;
- Application, design, bidding, contract, and construction procedures;
- Conflict of Interest policy; and
- Complaint and Appeals Procures;

Staffing and Oversight

The Program Design must include information related to who will oversee and staff the project to ensure its timely, effective and fair implementation. This must include *at least* the following:

- Who applicants contact for information on the program;
- The composition of the Loan Review Committee which must include at least two (2) local bankers;
- Who makes recommendations to the Loan Review Committee regarding loans or grants; and
- Who oversees the program.

Design Considerations

The following items may be helpful when considering how to create and structure a Façade Renovations Program Design:

- The program should be structured so that loan amounts leverage a private investment that is considerable but also reasonable given the challenging real estate market that typically exists in distressed downtown districts;
- CDBG funds can only be used for improvements made to the exterior of the building, but match funds can be used for the interior, if the Grantee so desires;
- The Grantee should make efforts with local banking institutions to create a low interest loan pool that can be used for privately funded building improvements that will be matched with CDBG resources;
- Assigning categories of blight or deterioration such as “high,” “medium,” or “low” to buildings and structuring façade grant levels so that a greater amount of CDBG funds is allowed for “high” deterioration and less is allowed for “low” deterioration will allow the needs of buildings to be better addressed. For example, high deterioration may have a maximum CDBG investment of \$25,000, medium deterioration may have a maximum of \$15,000 and low a maximum of \$7,500. Assigning categories of deterioration and CDBG cost limits should be developed by assistance from an architect; and
- The bidding of certain façade improvements collectively across many buildings may increase contractor availabilities and decrease bid price. For example, the Grantee may want to bid the awning work for several buildings together and award it as once contract.

Loan Approval

The process by which loans are approved must be thoroughly detailed and must include *at least* the following:

- Applications. A description of the application process, including that all business owners who apply for micro-enterprise funds must provide a Dun & Bradstreet or DUNS number;
- Recommendations. A description of who has the responsibility to make recommendations for loan approvals to the Loan Review Committee and the criteria that will be used in making these recommendations;
- Loan Review Committee. A description of the composition and the explicit duties of the Loan Review Committee. There must be at least two (2) local bankers on the Committee. A copy of the Committee’s membership roster and by-laws should be attached.
- Denials. A description of how denials of loan requests will be handled;
- Defaults. A description of how the Committee will handle defaults.

- Remedies: A description of the corrective actions the Committee will take if benefits are not being achieved.

Conflict of Interest

DHCD observes a very strict conflict of interest position. No work can be done on the property of any person, or his/her immediate family, who has or had decision-making power in the CDBG program from the time the application was planned, developed and submitted to DHCD to the grant's execution and implementation without DHCD's prior written approval regardless of any prior approval of a Program Design. This includes any elected and appointed officials, employees of the Grantee, and Loan Review Committee members, in accordance with Virginia and federal conflict of interest requirements. See Chapter 4: Grant Management for details on how to request a waiver.

Complaints and Appeals Procedure

The Program Administration and Assistance Office of the Virginia Department of Housing and Community Development (DHCD) expects all of its Grantees to have a written complaint and appeals process. In the event that a Grantee does not have a written procedure, the procedure identified below becomes the process to be used. This process must be exhausted before DHCD will become formally involved in any sort of resolution.

1. Informal resolution is attempted by the Grant Manager. If informal resolution is not possible, the complaint must be put in writing and forwarded to the Grant Manager. [However, contractor complaints, disputes or appeals may involve use of local building code review committees, as outlined in the Invitation to Bid.] If the complainant requires assistance in putting his or her complaint in writing, the Grant Manager must make assistance available. The same is true for any appeals.
2. The Grant Manager is required to investigate the complaint and respond to it, in writing, in a timely manner. The response must include an explanation of the reason(s) for the decision reached, information on how the decision can be appealed, and how many days from receipt of notice the complainant has to appeal the decision.
3. Appeals of the Grant Manager's decision should be addressed, in writing, to the Loan Review Committee.
4. Appeals of the Loan Review Committee's decision should be appealed, in writing, to the Chief Administrative Official.
5. Appeals of the Chief Administrative Official's decision should be addressed, in writing, to the local governing body.
6. All written appeals *must* be addressed within 15 days of receipt and resolved within 30 days of the appeal and retained for review. All appeals are to be responded to in writing. The response must include an explanation of the reason(s) for the decision reached,

information on the next step in the appeals process and how many days from receipt of notice the complainant has to appeal any decision.

7. Final appeals may be addressed, in writing, to DHCD. The appeal should include a copy of all correspondence that has taken place to this point. The appeal should identify the problem and the desired solution. DHCD will review the complaint and respond, in writing, in a timely manner. All involved parties will be copied.

Recordkeeping

The Program Design must describe the process that will be used to track required applicant and beneficiary information. Businesses assisted must be tracked by property owner's name, business' name and property address. The data must be further broken down by project activity e.g., façade improvements or interior renovations.

The number of businesses substituted since the application was submitted must be tracked.

The total amount of private investment expended and copies of supporting source documentation or an IPA statement must be tracked.

The property address of all vacant structures demolished must be tracked.

The Program Design must also note that minutes must be kept of all decisions made at the Oversight Board's meetings.

See Chapter 3: Benefits for details on how long these records must be retained by the Grantee.

Revising the Program Design

Because the Program Design is an official contract document, all revisions must be reviewed and approved by DHCD and amended by formal action by the local governing body. The revised Program Design must be uploaded into "Reports and Communication" in CAMS.