

Chapter 1 Funding Priorities/Targets

Consistency with Oregon's Consolidated Plan

Priorities for Community Development Block Grant (CDBG) funds must be consistent with the policies and priorities contained in the 2016-2020 State of Oregon Consolidated Plan for Housing and Community Development. The 2016-2020 Consolidated Plan is anticipated to be approved by the U.S. Department of Housing and Urban Development (HUD) sometime late 2016. The 2017 Method of Distribution is the first annual update to the 2016-2020 Consolidated Plan and has been developed with participation from HUD, Business Oregon and the public input received during the 30-day public comment period.

Priorities

Section 106(d)(2)(C)(iii) of the Housing and Community Development Act (HCDA) prohibits a state from declaring certain statutorily eligible activities as ineligible for funding under the state's program, but allows a state to establish funding priorities among the types of eligible activities. The state of Oregon's funding priorities for 2017 are described within the 2017 Method of Distribution (MOD). In accordance with the HCDA the state will consider applications for funding consistent with the identified funding priorities within the 2017 MOD.

There is a broad range of activities that may be assisted with CDBG funds as defined in Section 105(a) of the Housing and Community Development Act (HCDA) of 1974, as amended. States that administer a non-entitlement CDBG program are required to establish procedures for distributing the funds and identification of the activities (priorities) that will be eligible for funding under the state's program. These priorities are described within the 2017 MOD. The priorities eligible for funding under Oregon's 2017 Community Development Block Grant program are:

Programs offered through Business Oregon

1. **Microenterprise Assistance Public Services:** Recruitment, screening and providing classroom training to microenterprise owners and persons developing microenterprises.
2. **Public Works:** Public water and wastewater system improvements.
3. **Community/Public Facilities:** Community facilities that rarely produce a reliable or sufficient revenue stream to repay a loan.
4. **Community Capacity/Technical Assistance:** Grants for local capacity building.
5. **Emergency Projects:** Projects arising from bona fide emergencies.
6. **Housing Rehabilitation:**
 - a. **Type One**–Regional Housing Rehabilitation Revolving Loan Fund.
 - b. **Type Two**–Regional Housing Rehabilitation Grant Fund.

Targets

The state receives an annual allocation from HUD for the CDBG program. After subtracting amounts allowed for State Administration (2% plus \$100,000) and State Technical Assistance (1%), the department intends to award available new 2017, unobligated 2016, program income and recaptured grant funds from prior year grants to projects in the categories listed below using the percentages shown. Funding priority target percentages were adjusted to be more in line with the increase demand for Community Facility and Public Works projects.

	2016	Target %	2017	Target %
Annual Allocation from HUD	\$12,055,779		\$11,978,330 (Note 2)	
State Administration 2% (The required match for these funds comes from the Special Public Works Fund (SPWF).	241,116	2%	239,567	2%
State Administration \$100,000—no match funds	100,000	N/A	100,000	N/A
State Technical Assistance Set-Aside 1%	120,558	1%	119,783	1%
Annual Allocation Available for Projects	\$11,594,106		\$11,518,980	
Program Income (Note 2)	\$320 (Note 4)		\$0 (Note 3)	
Recaptured Funds	\$6,386 (Note 4)		\$100,000 (Note 3)	
ESTIMATED TOTAL AVAILABLE FOR PROJECTS	\$11,600,812		\$11,618,980 (Note 5)	
Microenterprise Assistance	\$232,016	2%	\$232,380	2%
Public Works	\$5,916,414	51%	\$6,158,059	53%
Community/Public Facilities	\$3,248,227	28%	\$2,323,796	20%
Regional Housing Rehabilitation	\$2,204,154	19%	\$2,904,745	25%

Note 1 When received, program income is allocated to projects using the target percentages identified above, after taking 2% for state administration.

Note 2 Total 2017 CDBG allocation.

Note 2 Estimated to be received in 2017.

Note 3 Actual as of December 2016.

Note 4 Unobligated amounts from 2016 will be added to this figure.

The final 2017 fiscal year allocation amount will be posted on the department's web site for access by eligible applicants and distributed to the CDBG list serve.

Target Funding

Business Oregon has no control over the type and quantity of applications submitted for funding under the program. Therefore, after each calendar quarter Business Oregon conducts a quarterly target review to determine if funds need to be moved from one funding category to another to address program needs. Target funding is used to give the department investment flexibility. Targeted funding does not obligate the department to award all the funds targeted for each category. **If a sufficient number of projects are not awarded in a particular category, applications in other categories may be funded. Each calendar quarter March 31, June 30, September 30, and December 31 the department will conduct a quarterly target review and determine if funds need to be moved from one category to another to address program needs.**

Program Year

The state of Oregon's 2017 program year (Fiscal Year-FY) is from January 1 thru December 31, 2017.

Funds Remaining after December 31, 2016

On January 1, 2017, any un-obligated or recaptured FY 2016 funds, earlier program year funds or program income will be applied in conformance with the HUD approved FY 2017 target percentages and will be awarded in accordance with either the HUD approved 2017 Method of Distribution.

Funds Remaining after December 31, 2017

On January 1, 2018, any un-obligated or recaptured 2017 funds, earlier program year funds, recaptured funds or program income will be applied in conformance with the HUD approved FY 2017 target percentages and will be awarded in accordance with either the proposed or HUD approved 2018 Method of Distribution.

Recaptured Funds and Program Income

The state anticipates the receipt of approximately \$100,000 of recaptured funds and \$3,500 of program income during 2017.

- **Recaptured funds** are those funds that are returned to the department through closeout of a grant, termination for cause or other means.

Recaptured funds on hand, where a grant recipient had to re-pay funds to the state, will be returned to the U.S. Treasury and recorded as such in IDIS. Once they are credited back to the state, they will be awarded/obligated in conformance with the MOD.

- **Program income** is funds received by the department from repayment of grant funds either loaned to recipients (principal and interest), proceeds from lease or disposition of real property and equipment acquired with CDBG funds, interest earned on any program income pending disposition of such income or from projects that were unable to meet the five-year change of use requirement. Refer to Chapter 4 for more information. Program income will be disbursed before funds are requested from the U.S. Treasury.

The state has two requirements which must be met: 1) 24 CFR 570.494(b)(2) and 2) 24 CFR Part 570.494(b)(1) which requires each state to obligate and announce (excluding state administration) 100% of each annual grant within 15 months of the state signing its grant agreement with HUD to Units of General Local Government (UGLG's). To comply with the requirements Business Oregon prioritizes its obligation and announcement of CDBG funds as follows:

- 1) CDBG awards will be obligated and announced from the current annual grant within 15 months of the state signing the grant agreement with HUD (24 CFR Part 494(b)(1);
- 2) Any recaptured funds and program income on hand will be expeditiously obligated and announced in accordance with (24 CFR Part 570.494(b)(2).

Any recaptured funds and program income received by the state will be tracked and disbursed to projects eligible for funding under the 2017 Method of Distribution. Funds received after December 31, 2017, will be disbursed as described above. Recaptured funds remaining after the last day of the program year will be added to the next program year's total allocation and disbursed through the regular grant award process for that year.

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