

Community Development Block Grant (CDBG) Subrecipient Guide

PROGRAM YEAR 2026 FUNDING



SAINT PAUL
PLANNING & ECONOMIC
DEVELOPMENT

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City of Saint Paul Community Development Block Grant (CDBG) Program

Subrecipient Policy and Procedures Manual
2026-2027 Program Year

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1. PURPOSE AND AUTHORITY

This manual establishes policies and procedures for subrecipients of Community Development Block Grant (CDBG) funds administered by the City of Saint Paul.

Authority

- HUD CDBG regulations at 24 CFR Part 570
- Housing and Community Development Act of 1974
- 2 CFR Part 200 (Uniform Guidance)

Regulatory Framework

Subrecipients must comply with:

- 24 CFR §570.200–570.506
- 2 CFR Part 200
- HUD guidance

City retains full responsibility per 24 CFR §570.501(b).

City's 5 Year Consolidated Plan and Annual Action Plans

The City is responsible for developing a five-year Consolidated Plan and interim Annual Action Plans to receive the CDBG funding. All activities and programs managed by Subrecipients shall be included in the current plan. Plans can be found at <http://www.stpaul.gov/conplan>.

2. ROLES AND RESPONSIBILITIES (24 CFR §570.501)

City Responsibilities

It's the City's responsibility to execute subrecipient agreements, ensure compliance with the CDBG funds, monitor performance of subrecipients and maintain accurate records of program and financial activities within HUD's Integrated Disbursement Information System (IDIS).

Subrecipient Responsibilities

It's the CDBG Subrecipient's responsibility to implement CDBG eligible programs and activities, maintain necessary documentation, and submit timely draws and reports.

3. ELIGIBLE ACTIVITIES (24 CFR §570.201–207)

Eligible categories within CDBG funding include:

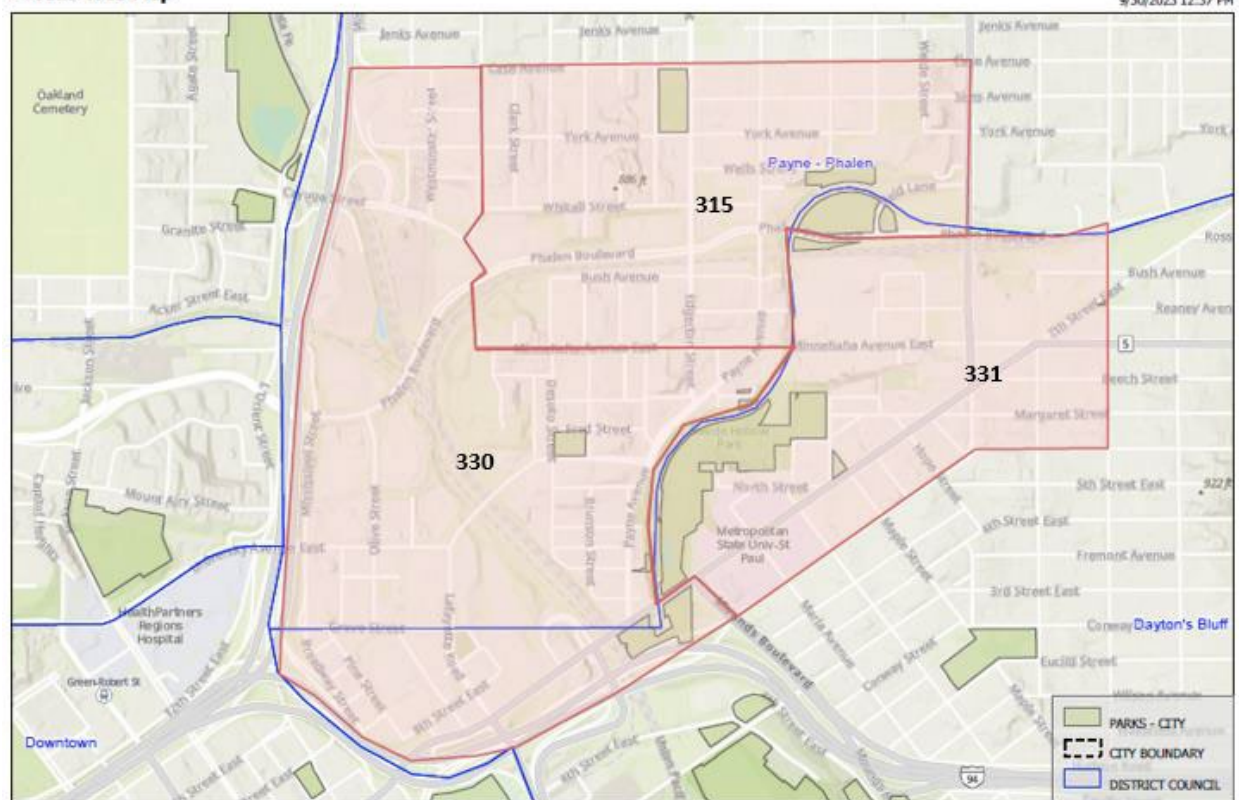
- Public services (§570.201(e))
- Public facilities (§570.201(c))
- Housing rehabilitation (§570.202)
- Economic development (§570.203)
- Housing construction, only for Community Based Development Organizations (§570.204)

The City reviews proposed activity for eligibility. The activity is appropriately categorized with a CDBG matrix code and documented for files. The eligibility determination is retained in project files. Matrix codes and definitions can be found on the HUD Exchange website: <https://www.hudexchange.info/resource/2546/matrix-code-national-objective-table/>.

Neighborhood Revitalization Strategy Areas

The City currently has one Neighborhood Revitalization Strategy Area (NRSA) approved by HUD that comprises three Census Tracts on the East Side of Saint Paul. The boundaries of the NRSA are Case Avenue to the north, Arcade Street and Forest Street to the East, 6th Street to the South and Interstate 35E to the west. The area includes the Railroad Island Community and the Hamm's Brewery complex.

ArcGIS Web Map



Housing and Economic Development activities within a NRSA offer some flexibility by aggregating LMI beneficiaries and allowing additional activities, such as new construction for housing. Subrecipients with activities in the NRSA should work with their Grants Specialist to identify and evaluate NRSA activities.

4. NATIONAL OBJECTIVES (24 CFR §570.200)

Each activity must meet a National Objective:

- Low and Moderate Income (LMI) Benefit (§570.208(a))
 - LMI Area Benefit
 - LMI Limited Clientele
 - LMI Housing
 - LMI Jobs
- Slum/Blight (§570.208(b))
- Urgent Need (§570.208(c))

Most Subrecipient activities are identified during the application phase through the Capital Improvement Budget process or when requesting funding otherwise. Subrecipients with Economic Development Programs will work with the City Grants Specialist to select the appropriate objective for each activity they intend to fund. For all activities, the City will verify the documentation method and supportive documentation is maintained in both City and Subrecipient files.

Subrecipients will work closely with their assigned Grants Specialist to evaluate eligibility under National Objectives. The City will verify documentation method. Documentation requirements and procedures for each are as follows.

LMI Area Benefit

The area benefit category is the most commonly used national objective for activities that benefit a residential neighborhood. An area benefit activity is one that benefits all residents in a particular area, where at least 51 percent of the residents are LMI.

For an activity to qualify for Area Benefit, subrecipients must have a defined service area to provide to the City for evaluation. The City will produce a service area map and evaluate the area using Census Data to determine eligibility.

A service area benefit can use one of the following methods:

1. **A new commercial business** with a formal business plan containing a geographic service area based on analysis of thorough market research, including statistics of target customers, may submit and use the service area as indicated in the business plan.
2. **An existing commercial business** may conduct address collection of customers until 20% of the addresses collected are repeat customers or may collect for six months if repeats are not achieved. Proof of address collection must be kept in the project file by project

manager or subrecipient and submitted to the City for evaluation. An address is considered repeat on their first return visit. Businesses may be evaluated on a case-by-case basis for exceptions based on the nature and location of the business. Address collections are valid for one year, if there is a delay, work with the assigned Grants Specialist.

3. **A nonprofit organization's** service area may be based on an established known service area that is included in its bylaws or through other official designations, such as a school district, park service area, or a community service area.

LMI Jobs

When a business or organization is selected to receive CDBG funding under the job creation or retention national objective, a Grants Specialist will evaluate the outcomes of the jobs for eligibility within one year of receipt of the loan amount.

The Subrecipient will evaluate, in consultation with the Grants Specialist, the potential for eligibility under this national objective. A job must be filled by or made available to Low Mod Income (LMI) workers. Other eligibility criteria include:

- 1 FTE Job for every \$35,000 of CDBG assistance required.
- Job must be permanent. Seasonal is okay if principal occupation.
- 51% of the jobs must be held by or available* to LMI
- Jobs are evaluated on a Full-time Equivalent (FTE) Basis. Part-time workers may be combined to meet FTE requirements. FTE = 35 hours per position. Part-time positions should combine to total 40 hours.

* to be made available to LMI means:

- Special skills that can only be acquired through substantial training or work experience or education beyond high school are not a prerequisite to fill such jobs, or training is offered to unqualified persons; and
- First consideration is given to LMI applicants and hiring practices expect LMI employees to fill such jobs.

The subrecipient or project manager will use the income of the applicant or employee at the time CDBG assistance is provided to determine eligibility. Income affidavit and IDIS form will be used to document.

- For jobs created – do not include the potential earnings of a job applicant would make if they were to fill the job.
- For jobs retained – use the current earnings of the person holding the job.

The funding is required to meet a national objective for a term of 5 years as documented within a written agreement with a business. Projects should maintain adequate documentation to demonstrate the jobs creation or retention national objective is met. The City will monitor for this during subrecipient or internal project reviews. The project manager or subrecipient shall maintain annual reports on compliance checks.

Annual reports may include, but are not limited to, documentation reviewed through state unemployment insurance systems and reported by the business (using existing business reporting requirements). The subrecipient or City may develop a format consistent with its own underwriting policies.

LMI Limited Clientele

Under Limited Clientele, 51 percent of the beneficiaries of an activity must be LMI. This is used when the activity will benefit a specific group of people but will not benefit the entire neighborhood. The following types of clientele are presumed eligible:

1. Presumed Group Benefit – Exclusively benefits a group presumed by HUD to be LMI:
 - Abused children
 - Battered spouses
 - Elderly persons
 - Adults meeting Census definition of severely disabled
 - Homeless persons
 - Illiterate adults
 - Persons living with AIDS
 - Migrant farm workers
2. Income Documentation – Collect and maintain documentation showing that at least 51% of participants are LMI.
 - One of three methods may be used to document income:
 - i. Annual Income as defined in 24 CFR 5.609 , Most subrecipients use this method
 - ii. Annual income as reported under the census long form
 - iii. Adjusted gross income as defined under the IRD Form 1040 Long form
 - Note, for the Limited Clientele national objective and for programs using self-certification as method for determining income, 25% of participant incomes will be verified.
3. Income Eligibility Requirements – The service is restricted by written policy to LMI persons only.
 - Third Party Verifications may also be used if a recipient was qualified under another program.
4. Nature and Location – The service location and type make it reasonable to presume that it primarily serves LMI persons. This must be approved by the City’s Grants Department.

LMI Housing

The housing category of LMI benefit “national objective” qualifies activities that intend to provide or improve permanent residential structures that will be occupied by LMI households.

In order to meet the housing LMI national objective, structures with one unit must be occupied by an LMI household, documented by an IDIS form. If the structure contains two units, at least one must be LMI occupied. Structures with three or more units must be occupied by at least 51 percent LMI households.

Lead testing is required in pre-1978 housing under HUD's Lead Safe Housing Rule at 24 CFR Part 35. It includes pre-renovation education requirements as well as training, certification, and work practice requirements. Noncompliance can result in civil penalties, enforcement actions, and program sanctions.

Slum/Blight Area and Spot

To qualify under this objective on an area basis, an activity must meet the following criteria and establishing documentation must be submitted and approved by City staff.

- The area must be officially designated by the City and meet the definition of slum, blighted, deteriorated, or deteriorating area under state or local law.
- The area must exhibit signs of physical blight or decay as defined by HUD.

Documentation must be kept on the boundaries of the area and the conditions which qualified the area at the time of its designation. Activities performed with CDBG funds must be limited to those that address one or more of the conditions that contributed to the deterioration of the area.

To comply with the national objective on a spot basis, i.e., outside a slum or blighted area, an activity must meet the following criteria:

- The activity must be designed to eliminate specific conditions of blight or physical decay not located in a designated slum or blighted area; and
- The activity must be limited to the following:
 - Acquisition
 - Clearance
 - Relocation
 - Historic Preservation
 - Rehabilitation of buildings, but only to the extent necessary to eliminate specific conditions detrimental to public health and safety.

The Subrecipient shall work with the City Grants Specialist assigned to identify appropriate documentation needs.

Urgent Need

The least used national objective is Urgent Need. To comply with this objective of meeting community development needs having a particular urgency, an activity must be designed to alleviate existing conditions that would be certified by the City:

- Pose a serious and immediate threat to the health or welfare of the community,
- Are of recent origin or recently became urgent,
- The City is unable to finance the activity on its own, and
- Other resources of funding are not available to carry out the activity.

5. SUBRECIPIENT AGREEMENTS (24 CFR §570.503)

Each year, the City develops a template Subrecipient that meets the current regulatory requirements related to the CDBG program.

The Subrecipient develops a Scope of Work and Budget for inclusion in contract and provides it to the assigned Grants Specialist. The Grants Specialist will then draft a contract using the approved template. Drafted contracts will be routed through City leadership and legal review to obtain approvals, and a final contract will be executed with signatures. City staff then complete budget set up prior to funding, and a draw request form will be developed by the City to provide to the subrecipient.

A Memorandum of Understanding (MOU) will be used with other City departments outside of PED. This will be used to outline the purpose and responsibilities of our inter-department's working relationship. The MOU will document clear expectations, and detail staff roles for an effective collaboration.

6. FINANCIAL MANAGEMENT AND PROGRAM INCOME (24 CFR §570.502-504; 2 CFR §200)

Financial Management Requirements

- The City and Subrecipients are expected to maintain strong internal controls and have written procedures that guide financial management for the organization.
- Allowable costs are detailed within Uniform Grants Guidance (2 CFR §200 Subpart E).
- Source documentation is required on all financial transactions.
- Subrecipients are required to meet the spenddown benchmarks associated with their annual contracts and be prepared to document obligations and spending plans on a quarterly basis, as requested by the City's assigned Grant Specialist.

Drawdown Procedure

Subrecipients submit reimbursement request to the assigned Grant Specialist using the IDIS (Integrated Disbursement Information System – HUD system) form provided. Documentation required includes invoices, timesheets (if staff time is requested for reimbursement), and proof of payment.

The Grants Specialist will review the request for eligibility, budget alignment, and appropriate documentation. City staff then approves and processes payment using its internal control procedures.

Program Income Requirements

These requirements are applicable only for Subrecipients that collect Program Income (PI). All PI must be tracked and reported to the City using the provided forms quarterly. PI must be used before additional drawdowns unless waived explicitly in contracts – only eligible for Community Based Development Organization agreements.

The City's Grants Management staff will verify and record PI in IDIS at least annually in May.

7. RECORDKEEPING AND REPORTING (24 CFR §570.506)

Required Records

The Subrecipients shall maintain appropriate financial records, beneficiary data, and national objective documentation. The City will maintain documentation provided in the draw request and other pertinent records in its files. Regardless, the Subrecipient is responsible for details associated with their individually funded activities.

Reporting Procedure

Subrecipients should include all documentation associated with a draw request and any beneficiaries on the IDIS provided form for each request. These requests should be performed monthly for City review. The City grants staff will review and follow-up with the Subrecipient if any information is missing.

City's Consolidated Annual Performance Evaluation Report (CAPER)

The City Grants staff develops and submits the CAPER to HUD annually within 75 days of end of program year (program year ends May 31). Final gathering of data and accomplishments for the program year will be collected during June of each year.

8. MONITORING AND RISK ASSESSMENT (24 CFR §570.501)

Risk Assessment will be completed annually to help assist the City determine which Subrecipient will be monitored. Monitoring helps ensure that federally funded activities are following Federal regulations. The scope and frequency of monitoring will depend primarily on an evaluation of each Subrecipient. Monitoring will help the City identify and confirm good practices, as well as discover where improvements can be made.

Risk Assessment

The Grants Management team will conduct a risk assessment of all subgrantees annually and initially upon application to the CIB Committee. The risk assessment will focus on reviewing the activities being implemented by the subgrantee. The risk analysis becomes part of the overall program monitoring system, which will help the City identify those subgrantees that may need an on-site monitoring visit. It will help guide the City's monitoring plan for the next upcoming year.

The City will use the criteria listed below to determine potential areas and levels of risk. The following criteria are used to assess the subgrantees relative level of risk at the organizational level:

- Subgrantee requests and receives over \$250,000 per year. Note: All on-going subgrantee projects exceeding this threshold will be monitored by the City every three years.
- Subgrantee capacity
- Whether there are past performance issues achieving national objective, meeting spending timeliness, complied with city and federal requirements or have recent problems such as citizen complaints or monitoring findings
- Whether the subgrantee is on the city's adverse lending list
- Prior experience with similar program management
- Prior experience with CDBG funds
- Whether there are staffing concerns
- Whether there are organizational financial concerns.

Risk assessment will be scored as high, medium, or low risk based on the above thresholds.

Subrecipients will be ranked in these categories as follows: High – If a subgrantee exceeds five or more of the eight risk thresholds, they will be deemed to be high risk for the current monitoring year. Or, if any instances of risk are immediately impactful and have significant financial risk as determined by Project staff and management, they may be flagged as high risk.

Medium – Subgrantees with 2-4 flags are considered medium risk.

Low – subgrantees with 1 or no flags in the six criteria will be considered low risk.

High risk programs or activities will be monitored annually, and monitoring efforts will focus more on on-site monitoring in conjunction with desk top reviews. While certain activities or programs may be more subject to monitoring than others, it is the intent to have every organization monitored at some point in a five-year cycle.

Monitoring Types and Procedure

Grants Management staff will select a minimum of three subgrantees to monitor based on annual risk rating. These monitoring activities may be done remotely, "desktop monitoring" or be on-site.

Desktop Monitoring

In a desktop monitoring, the subrecipient program is monitored by review of information in City files to ensure completeness and compliance. This review will consider the following:

1. Program Benefit
2. Eligible Activity
3. National Objective
4. Environmental Review Record
5. Contract
6. Financial Documents
7. Procurement
8. Reports
9. Review Expenditures
10. Other Relevant Documents

Examining these materials and information is done during each reimbursement request for payment to determine compliance with the administrative, financial management, and programmatic operations requirements. Additional documentation may be requested during key points in the program year, in particular during development of the Consolidated Annual Performance and Evaluation Report each year that is submitted to HUD.

On-Site Review

Grants management team will coordinate in depth review of compliance. This may include an onsite visit and will include a request for substantial documentation. The following is a workflow process for onsite monitoring:

1. The subrecipient will receive a notification letter at least two weeks prior to the monitoring that confirms dates and scope of visit as well as provide the applicable monitoring checklist.
2. Entrance interview is conducted to review monitoring process.
3. Grants staff or contracted partners will lead program and compliance monitoring for a specific program year(s).
4. Exit interviews will include tentative conclusions, with final conclusions to be sent within 60 days.
5. Completion of monitoring report sent to subgrantee
6. If there are findings or concerns, a written response is due from the subrecipient within 30 days of receipt of the monitoring report.
7. Findings are closed by the City once and documented back to the subrecipient.

9. CROSS-CUTTING FEDERAL REQUIREMENTS (24 CFR §570 Subpart K)

The CDBG funding triggers several cross-cutting federal requirements. These include:

- Environmental Review (24 CFR Part 58)

- Section 106, Historic Preservation
- Section 3
- Davis-Bacon (if applicable) (Prevailing Wage)
- Build America / Buy America (BABA)
- Uniform Relocation Act
- Fair Housing

For the City of Saint Paul, additional compliance requirements detailed in contracts include:

- Vendor Outreach Program
- Affirmative Action/Equal Employment Opportunity
- Project Labor Agreements
- Sustainable Building Ordinance

Procedure

The City ensures compliance prior to the start of the activity and throughout the project. Several City Departments are involved with ensuring compliance by type of requirement, however, Subrecipients may contact their assigned Grants Specialist with initial questions on all requirements.

The Planning Division of the City manages the Environmental Review and Historic Preservation processes. The Subrecipient will work directly with those City staff with the help of the Grants Specialist to complete the appropriate level of reviews.

The City's Human Rights and Equal Economic Opportunity (HREEO) Department conducts contract compliance with regards to Sections 3, Davis Bacon, and creates forms and guidance for BABA.

When relocation of residents or businesses is included in the project scope, the Grants Specialist will work with the Subrecipient on a case-by-case basis and engage with a Relocation Specialist to follow appropriate regulatory requirements.

Finally, Fair Housing is overseen by the City's Office of Financial Empowerment. While the office doesn't oversee compliance on a project-by-project basis, they maintain resources <https://www.stpaul.gov/departments/financial-empowerment/fair-housing> and will be consulted with questions.

10. PROCUREMENT STANDARDS (2 CFR §200.318–326)

Requirements

HUD procurement regulations require HUD-funded activities to follow federal Uniform Guidance (2 CFR 200.318–200.324), ensure full and open competition, document all procurement actions, use proper contract forms and clauses, avoid conflicts of interest, and maintain strong contract oversight. Subrecipient agrees to be bound by and to cause its contractors and subcontractors to comply with the requirements of the Two (2) Bid Policy. For all Contracts, recipient of public financial assistance must request and obtain at least two (2) written bids for work to be performed under the Contract by the general contractor/construction manager and subcontractors and award the contract to the lowest responsible bidder. These rules ensure that all HUD-funded purchasing

is fair, transparent, cost-effective, and compliant with federal law. If a grantee or subrecipient fails to follow these procurement standards, HUD can disallow the costs, demand the repayment of federal funds, or impose further sanctions.

Subrecipients of Community Development Block Grants (CDBG) are required to check the SAM.gov system for entities they are providing federal financial assistance to (as a beneficiary or as another subaward). Entities must obtain a Unique Entity Identifier (UEI) from SAM.gov and be active to make sure they are not debarred or suspended from receiving federal assistance. Document this eligibility confirmation with screenshot or printout from SAM.gov including date.

Procedure

The Subrecipient should have a written procurement policy and follow it, maintaining appropriate documentation in their files. The City and/or HUD will review this documentation during monitoring.

11. CONTRACT CLOSEOUT PROCEDURES AND RECORD RETENTION

Closeout Steps

- Final report submission usually occurs within the final draw and includes accomplishments detailed in the IDIS form. Accomplishments must be complete in order to close out a contract.
- Financial reconciliation should be conducted by the subrecipient and will be conducted by the City in final draws.
- Program income reconciliation will occur throughout the year, and the subrecipient should include details in each draw.
- Asset verification will occur if applicable to a project.

Record Retention

Minimum record retention period of 5 years after closeout (or longer if required).

12. RESOURCES

Additional subrecipient resources are available on the City's website www.stpaul.gov/conplan (scroll to "Subrecipient Resources").

- Income Affidavit Form - <https://www.stpaul.gov/sites/default/files/planning-economic-development/cdbg-incomeaff2026.pdf>
- Checklists

- CDBG Homeowner Rehabilitation Checklist -
https://www.stpaul.gov/sites/default/files/2023-09/CDBG_HomeownerRehabChecklist_080421.pdf
- CDBG Commercial Rehabilitation Checklist -
https://www.stpaul.gov/sites/default/files/2023-09/CDBG_CommercialRehabChecklist_052123.pdf

Other HUD resources include

- *Playing by the Rules: A Handbook for CDBG Subrecipients on Administrative Systems*
- www.hudexchange.com