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**CITY OF ELGIN  
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM  
SUPPLEMENTAL GUIDELINES  
FOR FACILITY DEVELOPMENT AND IMPROVEMENT ACTIVITIES**

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**I. PURPOSE**

The purpose of this document is to supplement the **General Guidelines** established for the City of Elgin’s Community Development Block Grant (CDBG) program. Many key requirements of the program are outlined in the General Guidelines, including applicant eligibility, national objective standards, and purchasing, recordkeeping and audit standards. Also detailed in the General Guidelines are important requirements regarding the collection of clients (or beneficiary) income and demographic information. Strict compliance with these (and other) requirements is critical.

These **Supplemental Guidelines** outline additional rules and requirements that apply to projects involving the development and/or improvement of facilities from which services are provided to low- and moderate-income residents. Applicants seeking funding for Facility Development and Improvement Activities should familiarize themselves with both the General Guidelines as well as these Supplemental Guidelines.

**II. ELIGIBLE/INELIGIBLE USE OF FACILITY DEVELOPMENT/IMPROVEMENT FUNDS**

Eligible Costs: Funds may be used to pay the following eligible costs:

- a. Development Hard Costs: Including acquisition of property, site improvements, construction, rehabilitation, conversion and demolition.
- b. Development Soft Costs: Including financing costs, building permit fees, legal and developer fees, property appraisals, credit and title costs, etc. Also included are engineering, architectural, or related professional services, which the applicant requires in order to properly complete their project. Certain limits apply to soft costs, and all soft costs must be “reasonable and necessary.”

Ineligible Costs: Funds may not be used for the following:

- a. Delinquent taxes, fees, or charges;
- b. Impact fees;
- c. Project reserve accounts; or
- d. Relocation Costs: Including costs associated with relocating occupants under the Uniform Relocation Act. (See Section XII of these guidelines.)
- e. Equipment that is not integral to the facility; and
- f. Activities classified as maintenance (see Section III below).

### **III. REHABILITATION VS. MAINTENANCE**

Under the CDBG program, property “maintenance” is not an eligible activity. If the proposed project consists solely of “maintenance” items, the project will be deemed ineligible for CDBG funding. The table provided in Appendix A, taken from CPD Notice 16-02, is a summary of potential activities that are considered to be “maintenance” and those which are considered to be “rehabilitation”. If you are unsure whether an activity is maintenance vs. rehabilitation don’t hesitate to contact staff with questions.

### **IV. UNDERWRITING**

Projects determined to be eligible for assistance will be analyzed to ensure they have complete, reasonable, and balanced budgets, and meet applicable CDBG requirements. Before committing funds to a project that combines the use of other local, state, or federal assistance, the City will evaluate the project to ensure that no more funds than necessary and permitted by HUD are invested in a project. The City has established underwriting procedures in accordance with guidelines set forth by HUD. The underwriting process will include:

1. An examination of the sources and uses of funds for the proposed project;
2. A review of the project development budget to confirm it is complete and project costs are necessary and reasonable. “Reasonableness” of development costs will be based on one or more of the following factors:
  - a. Costs of comparable projects in the same geographical area;
  - b. The qualifications of the cost estimators for the various budget line-items; and
  - c. Comparable costs published by recognized industry cost-index services.
3. An assessment of the experience and capacity of the project sponsor, including whether the applicant has included in their budget the cost of retaining professionals qualified to oversee their project (e.g. preparing specifications, managing the bidding process, and overseeing contractor performance);
4. An evaluation of the project sponsor’s level of site control; and
5. An assessment of the written financial commitments for the project. Applicants should understand that submission of an application for CDBG funds constitutes a certification to the City that all funding sources committed to the project or being sought by the applicant for the project have been accurately and completely disclosed within the application submitted.

Proposals must demonstrate that the project is not “economically feasible” without assistance from the City. Applicants must provide evidence of their financial ability to implement the project.

If a project is selected for funding, the initial award amount will be based on an initial underwriting of anticipated project sources and uses. Additional underwriting will be conducted at the time of funding commitment to verify all sources are committed and available, and at construction contract award, since project costs at the time of application submission are

typically estimates instead of firm bids and contracts.

#### **V. UNIFORM RELOCATION ACT**

All projects assisted are subject to the Uniform Relocation Assistance/Real Property Acquisition Policies Act, as amended (URA). Regulations governing URA are found at 49 CFR Part 24. The City discourages applicants from undertaking activities that displace area residents. Applicants are required to consult staff prior to preparing a proposal that includes such activities.

#### **VI. LABOR STANDARDS**

Projects must comply with federal labor standards in accordance with the Davis-Bacon Act, applicable provisions of the Contract Work Hours and Safety Standards Act, and other applicable federal laws and regulations pertaining to labor standards. For construction contracts in an amount of \$2,000 or more, all laborers and mechanics employed in the construction work must be paid wages and fringe benefits equal to those specified in the federal wage determination issued for the local area. The Project Sponsor of such projects will be required to submit documentation to the City to ensure that contractors (both generals and subs) complied with these requirements, and should include associated costs in their project budgets.

#### **VII. PROGRAM INCOME**

Program income is the gross income received by the project sponsor directly generated from the use of CDBG funds. Program income includes but is not limited to:

1. Proceeds from the sale or lease of property purchased or improved with CDBG funds; and
2. Gross income from the use or rental of property acquired, constructed or improved with CDBG funds, less costs incidental to the generation of such income.

Program income does not include proceeds from project sponsor fundraising activities; or proceeds from the disposition of real property by a project sponsor that was acquired or improved with CDBG funds five years after the termination of the project sponsor agreement. [Certain conditions apply. Refer to 570.503(b)(7).]

Project scope and future use of the facility will be reviewed as part of the application process and will assist in determining whether program income will be anticipated. Please discuss questions regarding program income that may become due to the City based on an agency's future use of a facility improved with CDBG funds.

#### **VIII. CHANGE OF USE**

Following project completion, Project Sponsors may not change the use of the property (including the beneficiaries of such use) from that for which the acquisition or improvement was made. To ensure a project sponsor is in compliance with 24CFR570.505, annual reporting is

required for activities funded under the Facility Development/Improvement fund to ensure they continue to meet a National Objective for a period of 5 years following final reporting of the activity in the City's CAPER. The City will record a forgivable deed restriction or mortgage to ensure compliance with this requirement.

**APPENDIX A**

**CITY OF ELGIN  
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM  
CPD Notice 16-02**

**Property Maintenance VS. Property Rehabilitation Table**

<b>Feature or System</b>	<b>Maintenance Activities</b>	<b>Rehabilitation Activities</b>
<b><u>Site</u></b>	<ul style="list-style-type: none"> <li>• lawn care (litter pickup, mowing, raking), trimming trees and shrubs</li> <li>• snow/ice removal</li> <li>• neighborhood cleanup</li> <li>• application of pavement sealants, parking lot restriping, directional signage or marking for handicapped accessibility</li> <li>• repair of cracked or broken sidewalks</li> </ul>	<ul style="list-style-type: none"> <li>• new landscaping throughout an area</li> <li>• construction of new walkways, driveways or parking areas, or replacement thereof</li> </ul>
<b><u>Building Exterior</u></b>	<ul style="list-style-type: none"> <li>• cleaning and fixing gutters and downspouts</li> <li>• repainting previously painted surfaces (including limited wet scraping and low pressure washing)</li> <li>• replacing deteriorated section of siding</li> <li>• removal of graffiti</li> </ul>	<ul style="list-style-type: none"> <li>• cleaning masonry or stripping painted surfaces by sandblasting, acid wash, or high pressure washing</li> <li>• applying new exterior siding</li> </ul>
<b><u>Roof</u></b>	<ul style="list-style-type: none"> <li>• application of waterproof coating to a flat roof</li> <li>• replacement of deteriorated flashing</li> <li>• in-kind replacement of loose or missing shingles or tiles</li> </ul>	<ul style="list-style-type: none"> <li>• complete replacement of roof with new shingles, tiles, roll roofing, membrane, or new metal roof</li> <li>• installation of solar panels</li> </ul>
<b><u>Windows and Doors</u></b>	<ul style="list-style-type: none"> <li>• washing windows</li> <li>• caulking, weather stripping, re-glazing windows and doors</li> <li>• fixing broken windowpane(s), storm window(s) or damaged entry door</li> <li>• replacing broken door lock</li> <li>• replacing a vandalized entry door to restore security of a building or unit</li> <li>• replacing a single severely damaged window to match</li> <li>• annual switch out of storm and screen panels</li> </ul>	<ul style="list-style-type: none"> <li>• replacement of windows</li> <li>• replacement of exterior doors</li> <li>• adding storm windows or storm doors</li> </ul>
<b><u>Interior Walls and Ceilings</u></b>	<ul style="list-style-type: none"> <li>• patching or mending cracked plaster</li> <li>• patching or fixing holes or cracks in drywall</li> <li>• replacing stained ceiling tiles</li> <li>• painting or wallpapering</li> </ul>	<ul style="list-style-type: none"> <li>• installation of new drywall or paneling</li> <li>• installation of new acoustical ceiling</li> <li>• installation of dropped ceilings</li> </ul>
<b><u>Flooring</u></b>	<ul style="list-style-type: none"> <li>• cleaning floors</li> <li>• stripping wooden floors and resealing</li> <li>• installation or replacement of carpeting or vinyl flooring</li> </ul>	<ul style="list-style-type: none"> <li>• installation of new wood floor</li> </ul>

<b>Feature or System</b>	<b>Maintenance Activities</b>	<b>Rehabilitation Activities</b>
<b><u>Circulation</u></b>	<ul style="list-style-type: none"> <li>• in-kind replacement of broken stair treads or balusters</li> <li>• inspection and servicing of elevators</li> </ul>	<ul style="list-style-type: none"> <li>• rebuilding stair or constructing new stair</li> <li>• installation of new access ramp</li> <li>• elevator replacement</li> </ul>
<b><u>Kitchen</u></b>	<ul style="list-style-type: none"> <li>• replacement of stoves, refrigerators, and microwaves</li> <li>• replacing cabinet hardware</li> </ul>	<ul style="list-style-type: none"> <li>• complete or substantial kitchen remodel</li> </ul>
<b><u>Bathroom/Laundry</u></b>	<ul style="list-style-type: none"> <li>• unclogging sink or toilet</li> <li>• replacing deteriorated toilet in an occupied housing unit</li> <li>• replacing broken medicine cabinet</li> <li>• replacing washing machines and dryers</li> <li>• installation of grab bars</li> </ul>	<ul style="list-style-type: none"> <li>• complete or substantial bathroom remodel</li> </ul>
<b><u>HVAC</u></b>	<ul style="list-style-type: none"> <li>• mechanical systems</li> <li>• changing air filters</li> <li>• cleaning air ducts</li> <li>• installing or replacing a window air conditioner</li> <li>• replacing a malfunctioning part of a HVAC system like a thermostat</li> </ul>	<ul style="list-style-type: none"> <li>• installation of new furnace or heat distribution system</li> <li>• installation of central air condition</li> </ul>
<b><u>Electrical/Lighting</u></b>	<ul style="list-style-type: none"> <li>• replacing malfunctioning light fixture, electrical switch or outlet</li> </ul>	<ul style="list-style-type: none"> <li>• major rewiring of building</li> <li>• installation of new electrical service</li> <li>• replacing or moving electrical panels</li> </ul>
<b><u>Plumbing</u></b>	<ul style="list-style-type: none"> <li>• fixing plumbing leaks</li> <li>• repairing damage from frozen pipes</li> <li>• repairing water or sewer connection within existing utility trench alignment</li> <li>• replacing malfunctioning water heater*</li> </ul>	<ul style="list-style-type: none"> <li>• installation of new plumbing system</li> <li>• new water or sewer connection</li> </ul>
<b><u>Security</u></b>	<ul style="list-style-type: none"> <li>• repair of security alarm systems</li> <li>• boarding up a vacant building with protective plywood</li> <li>• installation of temporary security fencing</li> <li>• installation of security devices needed for an individual health facility patient</li> </ul>	<ul style="list-style-type: none"> <li>• installation of permanent security bollards</li> <li>• installation of new security alarm system</li> </ul>
<b><u>Life Safety</u></b>	<ul style="list-style-type: none"> <li>• servicing smoke, fire and CO2 detectors</li> <li>• installation of smoke, fire and CO2 detectors</li> </ul>	<ul style="list-style-type: none"> <li>• making substantial physical changes to a building to comply with fire and life safety codes</li> <li>• installing fire suppression system</li> </ul>