

**METHOD OF DISTRIBUTION
FISCAL YEARS 2019, 2020 and 2021**

**STATE OF ARIZONA
COMMUNITY DEVELOPMENT BLOCK GRANT**

**SouthEastern Arizona Governments Organization
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**SOUTHEASTERN ARIZONA GOVERNMENTS
ORGANIZATION**

**ARIZONA DEPARTMENT OF HOUSING
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM**

**METHOD OF DISTRIBUTION
FOR
FISCAL YEARS 2019, 2020 and 2021**

Recommended by the Administrative Council, November 1, 2018
Approved by the Executive Board, November 16, 2018

Method of Distribution

SEAGO

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Method of Distribution- Introduction

CDBG Regional Account

The CDBG Regional Account (RA) consists of 85 percent of the state of Arizona allocation from Housing and Urban Development (HUD), after set-asides are allocated to administration, technical assistance and the Colonia set-aside. The remaining 15 percent makes up the State's Special Projects (SSP) allocation. The RA is distributed on a non-competitive basis to all rural cities, towns, and counties in Arizona. The method by which the funds are distributed is determined by the State working in conjunction with each regional Council of Governments (COG). Each COG develops a Method of Distribution (MOD) each year and forwards the MOD to the Arizona Department of Housing (ADOH) for approval. The MOD determines which communities will receive funding each year and how much will be received. At the time of application each community's CDBG application amount must equal the allocation amount. The applications are routed through the COG to ADOH. ADOH will review all applications and make the final award determinations.

To determine the amount of CDBG funding allocated to each COG's sub-account, the State uses a formula based on population and persons in poverty. Specifically, the COG sub-accounts are determined by: 1) multiplying the percentage of the total population of each COG by 30 percent; 2) multiplying the percentage of the total poverty population of each COG by 70 percent; and 3) adding the products of the two. The RA is divided into four sub-accounts, one for each of the non-metropolitan COG areas:

- Central Arizona Governments (CAG): Gila and Pinal Counties.
- Northern Arizona Council of Governments (NACOG): Apache, Coconino, Navajo, and Yavapai Counties.
- SouthEastern Arizona Governments Organization (SEAGO): Cochise, Graham, Greenlee, and Santa Cruz Counties.
- Western Arizona Council of Governments (WACOG): La Paz, Mohave, and Yuma Counties.

Every three years the COG will recommend their MOD to ADOH for the communities within the respective COG region. The MOD will be included in the annual updates of the Consolidated Plan, which is subject to a public participation process. At a regularly scheduled meeting held November 16, 2018, the SEAGO Executive Board adopted this Method of Distribution (MOD).

CDBG Distribution Methodology

All distribution of State CDBG Regional Account funds is to be accomplished through an entitlement rotation system. ADOH regulations state that each MOD must contain a multi-year schedule that indicates how CDBG allocations are to be distributed such that all eligible communities within each respective COG region will receive funding. The multi-year schedule should include the funding years that each community in the region will receive funds and estimate the amount to be available. This will allow each community to plan its CDBG projects in advance. As soon as the ADOH releases the SEAGO funding amounts each Fiscal Year, the COG will calculate each applicant's funding allocation and provide that information to each applicant community.

Changes to the MOD

Deviations from rotation schedules whereby communities trade allocations are allowed. **Should any community in the SEAGO region wish to discuss trading allocation years or any other substantial revisions to this MOD, they must notify SEAGO no later than September 1 of the appropriate funding year.** If so requested, SEAGO will convene a working group meeting consisting of one representative from each community, unless the issues to be raised affect only a particular sub-region. In that case, only representatives from communities within that sub-region will be convened. Each community will be responsible for designating its representative to that (those) meeting(s). Recommendations from said working group will be forwarded to the Administrative Council and Executive Board for approval. **Should any communities applying in the same Fiscal Year wish to "gift" or combine their allotments and designate one community to apply for and administer the "joint" project, they must notify SEAGO no later than September 1 of the appropriate funding year.**

ESTIMATED Allocation Amounts (Future Year Estimates Based on FY18 funding amount)

Community	2019	2020	2021	
Benson				
Bisbee				
Clifton			\$100,000	
Cochise County				

Community	2019	2020	2021	
Duncan	\$100,000	\$100,000		
Graham County			\$223,229	
Huachuca City		\$471,036		
Nogales		\$323,921		
Patagonia			\$323,921	
Pima	\$223,229			
Safford				
Santa Cruz County	\$323,921		\$323,921	
Thatcher		\$223,229		
Tombstone	\$471,036			
Willcox			\$471,036	

CDBG Recipient Community Responsibility

While CDBG money is provided to all recipient communities on an entitlement basis, eligibility for CDBG funding depends upon the submission of a viable project application. ***Cities and Towns are allowed to submit only 1 project application, Counties are allowed to submit up to 3 project applications.*** Refer to ADOH's **application handbook regarding the allowable limits.**

Additionally, the community must ensure that:

- The activity meets one of the three national objectives (see page 4 & 5 of this MOD and as explained in the ADOH application handbook);
- The activity is eligible (a detailed list is in the ADOH application handbook);
- An objective-outcome statement may be made about it;
- The activity is do-able for the community during the allowed time period and for the amount of funds available to the community (including optional leverage);
- The activity fits with the overall community development and housing goals of the community;
- There is a community need that the activity addresses beneficially; and
- Any additional criteria that the community may wish to consider.

Also, HUD has issued a proposed outcomes performance measurement system. If a project does not “fit” into one of three overarching objectives, it will not be considered eligible for the state program. ADOH will make the determination. The three overarching objectives each have three possible outcomes. The objectives and outcomes are:

- **Objective #1. Creating Suitable Living Environments**
Outcomes: Availability/Accessibility, or Affordability, or Sustainability
- **Objective #2. Providing Decent Affordable Housing**
Outcomes: Availability/Accessibility, or Affordability, or Sustainability
- **Objective #3. Creating Economic Opportunities**
Outcomes: Availability/Accessibility, or Affordability, or Sustainability

CDBG Application Routing through COG

All regional CDBG applications must be routed through the COG for review. The COG will review each application for completeness, notify each community of their findings and assist the community with rectifying any application deficiencies. The responsibility to correct deficiencies lies with the community unless the COG is under contract to provide this service to the community. COGs have no discretion to reject applications and must forward all applications to the State. Only those communities identified as eligible to receive funding in the current year MOD may submit an application, therefore, backup applications will not be accepted from other communities, nor will any rating or ranking or similar comparative analysis be necessary. Each COG establishes its own application procedures and submission deadline.

Compliance with State Program Requirements.

In compliance with state requirements, SEAGO hereby incorporates into the MOD all state-mandated provisions identified in the State's Consolidated Plan, Annual Updates, the most recent CDBG Application Handbook and all related federal overlay statutes.

Prior to being recommended to the State for funding, each application will be reviewed by SEAGO staff to ensure that it meets at least one of the three national program objectives:

- a. Project benefits low-/moderate-income persons, who shall comprise at least 51 percent of the population served.

- b. Project aids in the prevention or elimination of slum or blight (*see note*).
- c. Project meets a need having a particular urgency, or which poses a serious and immediate threat to the health and/or welfare of the community (*see note*).

NOTE: According to federal regulations, only up to 30 percent of the total state of Arizona CDBG allocation may be applied to the cumulative total of both Slum and Blight, and Urgent Need projects. A community must notify ADOH in writing, of its intention to apply for Slum and Blight or Urgent Need funding. Allocation of funds will be prioritized on a first-come, first-served basis, based on the date of receipt of the letter of intent by ADOH. Please provide a copy of any letter of intent to SEAGO. Special procedures are required by law in the Arizona Revised Statutes to declare a slum and blight redevelopment area.

Additionally, requests for public service funds are limited to not more than 15 percent of the total CDBG allocation and are funded on a first-notified (to ADOH), first-funded basis as above.

Sub-Regional Funding Allocations.

Basis for Grant Awards: Each funding cycle, usually by March, the State will provide an account of CDBG funds available to the SEAGO region. This "pot" of funds is then subdivided for each of the four sub-regional areas in SEAGO (Cochise, Graham, Greenlee, and Santa Cruz Counties), based on a weighted formula of population and poverty, as explained below:

- a. Cochise County Sub-Region – The funds are made available for equal distribution over a six-year rotation of eligible communities in Cochise County. Further instructions for the Cochise County sub-region may be found in Appendix A.
- b. Graham County Sub-Region – The funds are made available for equal distribution over a four-year rotation of eligible communities in Graham County. Further instructions for the Graham County sub-region may be found in Appendix B.
- c. Greenlee County Sub-Region – The funds are made available for equal distribution over a modified two-year rotation between Duncan and Clifton, with Greenlee County waiving participation until further notice. Further instructions for the Greenlee County sub-region may be found in Appendix C.
- d. Santa Cruz County Sub-Region – The funds are made available for distribution over a modified five-year rotation of eligible communities in Santa Cruz County. Further instructions for the Santa Cruz County Sub-Region may be found in Appendix D.

Funding Levels, Maximum and Minimum Grant Awards:

- a. The maximum allowable funding level for Cochise, Graham, Greenlee, and Santa Cruz County sub-regions shall be the amount of its sub-regional allocation.
- b. Funding allocations for each county sub-region are determined by the State's current poverty and current estimated population from the Office of Employment & Population Statistics (OEPS), through a weighted distribution formula. An exception is made in the instance where such a determination would result in an allocation of less than \$100,000. Any such sub-region would then be funded at a \$100,000 base level.
- c. The poverty criterion shall be assigned a weight of 70 percent and the population criterion shall be assigned a weight of 30 percent in the formula used for determining sub-regional funding distribution.

Application Process and Technical Assistance/Application Preparation (TAAP)

Before the SEAGO Application Deadline:

- a. Technical Assistance (TA) from SEAGO staff is available and ADOH recommends that this Technical Assistance and Application Preparation (TAAP), be utilized. SEAGO will collect the TAAP charges directly from the grantee, which can be reimbursed from the grant funds. Each applicant's share of TAAP costs will be negotiated and set in the application budget. At a minimum, \$3,000 should be put in the application's administration budget to cover any State workshops, TA meetings, and review of the application(s). Should the application not be funded, SEAGO may recover its TAAP fee from the applicant, who remains the responsible party regardless of the success of their application.
- b. TAAP can range from assistance with public notices and hearings to researching and writing the proposed application on behalf of the community before the submittal deadline. The amount of direct TAAP assistance is determined by the applicant, and should be negotiated with SEAGO very early in the process. In accordance with State policy, SEAGO will attend and assist with any mandatory TA meetings/workshops set by the State during the pre-application review process. **It is recommended that immediately after the applicant's first public hearing, the applicant discuss with SEAGO all potential projects** brought up at the hearings for review of information that would affect the eligibility of the proposed activities (e.g., meeting a National Objective, amount of leveraging, or number of beneficiaries) because such information cannot be changed after the SEAGO submission deadline. Additionally, because any ineligible or potentially un-fundable projects brought up at the hearing should not be considered by the

applicant's Council/Board nor presented to the State as potential projects. SEAGO will assist all applicants throughout the application process to avoid non-fundable applications to the greatest extent possible.

- c. Additionally, immediately after this initial consultation with SEAGO, Councils/Boards should meet to decide which most likely project(s) staff should begin planning and completing any required surveys to determine eligibility. Final selection of a project(s) will need to be advertised and appropriate Resolutions passed.
- d. **The applicant should then hold their last hearing to adopt all appropriate Council/Board resolutions no later than the middle of March, to be in compliance with the 120 day letter of intent due to ADOH by April 1.**
- e. TAAP then continues with SEAGO's formal review of the application submitted to it by July 1. That will allow time before the applications are due to ADOH on August 1 for any additional changes to the application. Please refer to the enclosed SEAGO CDBG Program Calendar for further guidance regarding the application timeline.

Submitting the Application to SEAGO

All eligible applicants must submit a full and complete original CDBG application in conformance with the State's Application Handbook instructions.

Applications should not be page numbered, to accommodate any changes recommended after SEAGO review. Applications must be **RECEIVED by SEAGO, 1403 W. Highway 92, Bisbee, Arizona, 85603 by 4:00 p.m., July 1**. Applications forwarded by U.S. mail should be sent Return Receipt Requested and must be mailed in time to be received before this deadline; all applications that are hand-carried to the SEAGO office will be received by SEAGO.

After SEAGO's Deadline, but Before ADOH's Deadline

Staff Review:

- SEAGO staff will conduct a detailed review of each application, notifying the applicant of deficiencies or additional information which is needed prior to submission of the application to ADOH. As changes are frequently required, SEAGO will page number for each application after the final review.

Administrative Council Recommendation:

- The SEAGO Administrative Council will review the final applicant selection and funding level recommendations. Funding recommendations will then be forwarded to the SEAGO Executive Board by the Administrative Council.

Executive Board Recommendation:

- The SEAGO Administrative Council's recommendations on funding of RA CDBG applications will be reviewed by the SEAGO Executive Board. The Executive Board will approve or revise the final selection recommendations for funding. The final selection recommendations and applications must be submitted to ADOH, CDBG Program, no later than August 1.

Application Administration

Up to 18 percent (including TAAP) can be charged to the grant for administration. Under federal and state rulings, communities may contract with SEAGO without the RFP process if they wish to contract out the grant administration functions. A formal RFP process IS required in order to hire any other consultant.

SEAGO CDBG PROGRAM CALENDAR

DEC/JAN	Publish the P2 display ad and hold the required public hearing. Consult with SEAGO regarding eligibility and fundability of potential projects. Hold Council/Board work sessions as needed to direct staff which potential project(s) to begin planning. Staff to conduct any required income surveys to determine eligibility.
FEBRUARY	Complete planning, cost estimating, and budgeting for any project to be considered by Councils/Boards so they have the data they need to make a project decision.
FEB/MARCH	Publish P4, announcing intended project(s)/last public meeting to adopt all appropriate application Resolutions. Prepare and send letter of intent and Resolution to Submit the Application to ADOH before the end of March, 120 days before the application due date.
APRIL/MAY/JUNE	Letter of Intent due to ADOH April 1. Application preparation, SEAGO reviews forms

JULY

DEADLINE FOR SUBMITTING RA CDBG APPLICATIONS TO SEAGO IS JULY 1. SEAGO Administrative Council or Committee meets to review and recommend RA applications for funding. Executive Board or Committee recommends RA Applications to ADOH.

Deadline for SEAGO's submission of RA Applications to the ADOH is **AUGUST 1.**

NOTE: See the CDBG Application Handbook for additional ADOH Milestones in the CDBG Program.

APPENDIX A

COCHISE COUNTY SUB-REGION'S ROTATION SYSTEM

The communities of Sierra Vista and Douglas are Entitlement Community status and will not be included in the Cochise County sub-regional rotation. Within the Cochise County sub-region **ONLY**, each of the six remaining communities within Cochise County: Benson, Bisbee, Cochise County, Huachuca City, Tombstone, and Willcox will follow a six-year rotation.

1. In 2019, the total sub-regional allocation will be awarded to the City of Tombstone, providing activity projects are eligible and the applicant has met all compliance thresholds according to ADOH regulations.
 2. In 2020, the total sub-regional allocation will be awarded to Huachuca City, providing activity projects are eligible and the applicant has met all expenditure and compliance thresholds according to ADOH regulations.
 3. In 2021, the total sub-regional allocation will be awarded to the City of Willcox, providing activity projects are eligible and the applicant has met all compliance thresholds according to ADOH regulations.
 4. In 2022, the total sub-regional allocation will be awarded to the City of Benson, providing activity projects are eligible and the applicant has met all compliance thresholds according to ADOH regulations.
 5. In 2023, the total sub-regional allocation will be awarded to Cochise County, providing activity projects are eligible and the applicant has met all compliance thresholds according to ADOH regulations.
 6. In 2024, the total sub-regional allocation will be awarded to the City of Bisbee, providing activity projects are eligible and the applicant has met all compliance thresholds according to ADOH regulations.
4. Communities may trade positions if SEAGO is notified prior to September 1 of each year. The next MOD must contain the final order of funding for that year. Upon receipt of such notification, SEAGO will inform the Department of Housing.
 5. All applicants are aware that although the rotation schedule is agreed to in this MOD, there is no legally binding commitment from ADOH for future years funding to any community.

APPENDIX B

GRAHAM COUNTY SUB-REGION'S ROTATION SYSTEM

Within the Graham County sub-region **ONLY**, each of the four communities within Graham County: Graham County, Pima, Safford, and Thatcher will follow a four-year rotation.

1. In 2019, the total sub-regional allocation will be awarded to Pima, providing activity projects are eligible and the applicant has met all expenditure and compliance thresholds according to ADOH regulations.
2. In 2020, the total sub-regional allocation will be awarded to the Town of Thatcher, providing activity projects are eligible and the applicant has met all expenditure and compliance thresholds according to ADOH regulations.
3. In 2021, the total sub-regional allocation will be awarded to Graham County, providing activity projects are eligible and the applicant has met all expenditure and compliance thresholds according to ADOH regulations.
4. In 2022, the total sub-regional allocation will be awarded to Safford, providing activity projects are eligible and the applicant has met all expenditure and compliance thresholds according to ADOH regulations.
6. Communities may trade positions if SEAGO is notified prior to September 1 of each year. The next MOD must contain the final order of funding for that year. Upon receipt of such notification, SEAGO will inform the Department of Housing.
7. All applicants are aware that although the rotation schedule is agreed to in this MOD, there is no legally binding commitment from ADOH for future years funding to any community.

APPENDIX C

GREENLEE COUNTY SUB-REGION'S ROTATION SYSTEM

Within the Greenlee sub-region ONLY, each of the two communities within Greenlee County, Duncan and Clifton, will follow a modified two-year rotation. The County of Greenlee has not recently participated in the CDBG Regional Account distribution. Should the County wish to begin participating and be a part of this rotation system, SEAGO must be notified before September 1 in order to adjust this agreement accordingly for inclusion in future MODs.

1. In FY2019, the total sub-regional allocation will be awarded to the Town of Duncan, providing activity projects are eligible and the applicant has met all expenditure and compliance thresholds according to ADOH regulations
2. In FY2020, the total sub-regional allocation will be awarded to the Town of Duncan, providing activity projects are eligible and the applicant has met all expenditure and compliance thresholds according to ADOH regulations
3. In FY2021, the total sub-regional allocation will be awarded to the Town of Clifton, providing activity projects are eligible and the applicant has met all expenditure and compliance thresholds according to ADOH regulations.
4. In FY2022, the total sub-regional allocation will be awarded to the Town of Clifton, providing activity projects are eligible and the applicant has met all expenditure and compliance thresholds according to ADOH regulations.
5. In FY2023, the total sub-regional allocation will be awarded to the Town of Duncan, providing activity projects are eligible and the applicant has met all expenditure and compliance thresholds according to ADOH regulations.
6. Communities may trade positions if SEAGO is notified prior to September 1 of each year. The next MOD must contain the final order of funding for that year. Upon receipt of such notification, SEAGO will inform the Department of Housing.
7. All applicants are aware that although the rotation schedule is agreed to in this MOD, there is no legally binding commitment from ADOH for future years funding to any community.

APPENDIX D

SANTA CRUZ COUNTY SUB-REGION'S ROTATION SYSTEM

Within the Santa Cruz County sub-region **ONLY**, each of the three communities within Santa Cruz County: Nogales, Patagonia, and Santa Cruz County will follow a modified five-year rotation. (Santa Cruz/Nogales/Santa Cruz/Nogales/Patagonia)

1. In 2019, the total sub-regional allocation will be awarded to the Santa Cruz County, providing activity projects are eligible and the applicant has met all expenditure and compliance thresholds according to ADOH regulations.
2. In 2020, the total sub-regional allocation will be awarded to the City of Nogales, providing activity projects are eligible and the applicant has met all expenditure and compliance thresholds according to ADOH regulations.
3. In 2021, the total sub-regional allocation will be awarded to the Town of Patagonia, providing activity projects are eligible and the applicant has met all expenditure and compliance thresholds according to ADOH regulations.
4. In 2022, the total sub-regional allocation will be awarded to Santa Cruz County, providing activity projects are eligible and the applicant has met all expenditure and compliance thresholds according to ADOH regulations.
6. In 2023, the total sub-regional allocation will be awarded to the City of Nogales, providing activity projects are eligible and the applicant has met all expenditure and compliance thresholds according to ADOH regulations.
7. Communities may trade positions if SEAGO is notified prior to September 1 of each year. The next MOD must contain the final order of funding for that year. Upon receipt of such notification, SEAGO will inform the Department of Housing.
8. All applicants are aware that although the rotation schedule is agreed to in this MOD, there is no legally binding commitment from ADOH for future years funding to any community.