

City of Oceanside
Community Development Block Grant Program
Capital Improvement Projects
Application Information

Community Development Block Grant (CDBG) Capital Improvement Project (CIP) funds are designed to assist non-profit community based organizations to undertake construction or renovation projects. The projects must assist the agency in providing a valuable service to the community. The City can provide no more than fifty percent of the total project cost. Applicants should understand that the funding, if allocated, comes with many federal and local requirements and the agency should be ready, willing and able to take on a substantial project. The ability to use CDBG funding for a CIP will be proven by the agency's ability to operate a financially sound organization and program, and the ability of the agency to raise funds specifically earmarked for the proposed capital improvement project. The project must clearly demonstrate that it fulfills the national objectives to improve the lives and community living conditions of low- and moderate-income individuals and families in the City of Oceanside, and that the project is a good use of federal (i.e., taxpayer) funds.

Organizations must display **eligibility**, **readiness** to proceed, **financial capacity** to complete the project, and, to a certain extent, **experience** in managing construction/capital projects.

1. Eligibility

In order to be eligible for CDBG funding for a capital project, the applicant agency must:

- a) Be a non-profit / 501(c)(3) organization incorporated under California law
- b) Propose a project that meets one of the National Objectives for CDBG funding:
 - Provide benefits to participants that are at least 51 percent low/moderate income persons or households, or
 - Benefit an area in which at least 51 percent of the households are below 80% of the area median income, or
 - Benefit a specific eligible group, i.e., disabled persons, battered spouses, seniors, and others, or
 - Aid in the elimination of slum or blight conditions, as defined by HUD, or
 - Meet an urgent community need. Generally this objective is used in the case of serious natural disasters, such as an earthquake.
- c) Provide proof of site control of property or facility that is suitable for the development of an eligible activity, such as a childcare center. A deed, a purchase agreement, a 10-year lease agreement, or an option to purchase/lease can demonstrate site control. For both purchased and leased properties, the City will require a 10-year restrictive covenant that will limit property use to the provision of the allocation (the eligible activity).

2. Readiness

Readiness is determined by site control and a definite project plan. Site control is displayed by:

- Owning the property/project site,
- Having a long-term lease on the property/project site (a 10-year restrictive covenant from the property owner to apply, or five-year lease with clear option to renew), or
- Holding an intent/option to lease/purchase (at least 6 month option, with an out clause).

Readiness is also demonstrated by a project plan approved by the agency board of directors, with demonstrated financial support for both development and operation of the project.

3. Financial Capacity

Financial capacity to complete the project successfully will be demonstrated by the latest financial audit of the organization. One clear indicator of financial capacity will be the cash flow and amount of debt owed by the agency. If the applicant can produce information regarding a capital project account or results of the latest fundraising activities with dedicated funds that will cover any contingency over the estimated project budget, the applicant will display financial capacity to complete the project. The agency will be asked to address these questions:

- Does the agency have enough fiscal resources to construct and operate at the same time, and to support operations after completion of construction?
- What types of additional funding can be sought by the agency?
- Does the agency have a clear plan for development and fundraising?
- Are lines of credit available to the agency from local financial institutions?
- Have members of the board made donations or pledges toward the project?
- Can the project be completed as described in the Budget and Scope of Work?

4. Experience in Managing Projects

The applicant must be able to provide a history of other successful capital and/or construction projects managed by the agency. The applicant may choose to retain the services of an independent contractor to provide project management services. All fees relating to the project manager shall be included in the project budget. If applicant is using a board member to provide project management or architectural assistance, please indicate on the application.

Applicants should seriously consider the amount of federal funding and its use prior to applying for CDBG funds. Federal Labor Regulations (often referred to as Davis Bacon wages or prevailing wages) increase the cost of construction projects by 20 to 30 percent. If CDBG and other federal funding is less than 50 percent of the total proposed construction budget, it may not be worthwhile to incorporate federal funds into the project. (For example, if total construction cost is \$300,000 and the CDBG request is \$100,000, then CDBG funds would primarily cover the increase in the labor costs for the project.) Using CDBG / federal funding for a portion of the total project costs subjects the entire project budget to Davis Bacon prevailing wage requirements. One way to avoid this situation is to request CDBG funding for "soft" or pre-construction costs, or for such non-construction items as playground equipment (which is manufactured off-site and not subject to labor wage standards). Applicants must discuss this with the City CDBG program manager before submitting an application. Contractors making pre-application estimates must be told that prevailing wage requirements will apply to the project.

Eligible project expenses include:

- Acquisition, rehabilitation, and/or new construction as described in Scope of Work
- Pre-development activities, including design, engineering, environmental review, etc.
- Permit fees
- Hazardous materials abatement, such as removal of asbestos or lead-based paint
- Project management (costs apart from program management)
- Site improvements, including utility connections, grading, parking, landscaping, etc.
- Purchase and installation of equipment, permanent fixtures, energy efficiency upgrades, etc.
- Monitoring of labor standards

Ineligible expenses include:

- Agency general administration and overhead costs
- Equipment, furnishings, and supplies related to program and operations
- General operating and maintenance costs (utilities, staff salaries, etc.)
- Costs related to outside financing (loan processing fees, etc.)
- Expenditures determined by the City to be outside the original proposal and contract
- Expenditures added to the project without preapproval by the City

Required Attachments: Please label and attach these items to your CDBG application:

1. "Sources and uses" - a summary project / development budget showing projected income (all sources) and estimated costs
2. Project / development timeline with key milestones
3. Evidence of site control (purchase agreement, option to purchase, or long-term lease)
4. List of current Board of Directors

The following documents will be required if your application is approved for funding:

5. Estimated operating budget for new facility, including program and maintenance costs
6. Organization budget for the current year
7. Most recently completed audit (no less than two years old)
8. Letters of commitment for other funding or in-kind contribution of services
9. Legal documents (Articles of Incorporation, Bylaws, etc.) unless these are already on file with the City
10. Evidence of status as a California corporation (CA Secretary of State certificate) and tax-exempt status as a 501(c)(3) or other not-for-profit organization (Internal Revenue Service letter) unless these are already on file with the City
11. Certificates of insurance and endorsements to satisfy City requirements
12. List of any prior projects developed by the agency
13. List of any active or prior CDBG or other federal or State grants (past three years only)

If you have questions regarding capital improvement project requirements you may contact:

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