

A Quick Guide to the CDBG-DR Funds

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An McV Recovery Financing Practice Team Alert

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In response to Hurricanes Irma and María, the U.S. Congress awarded \$1.5 billion and \$18.5 billion to support long-term disaster recovery for Puerto Rico. The \$20 billion total allocation will be provided through the Department of Housing and Urban Development's ("HUD") Community Development Block Grant – Disaster Recovery ("CDBG-DR") Program. This federal assistance will provide crucial seed money to start Puerto Rico's recovery process intended to address unmet needs in housing, economic development and revitalization, and infrastructure needs.

Recognizing the opportunities for economic development brought forth by the CDBG-DR, McConnell Valdés has established the **Recovery Financing Practice Team** to assist clients looking to jump-start Puerto Rico's economy and help the Island achieve long-term, sustained economic growth.

The following is a quick guide to the CDBG-DR funds:

1. **Allocation of CDBG-DR funds to Puerto Rico**

CDBG-DR funds will be distributed by HUD in three tranches: \$1.5 billion, \$8.22 billion, and \$10.28 billion. The Puerto Rico Housing Department ("PRDoH") is the selected grantee of the funds.

On February 9 and August 14, 2018, HUD published Federal Register notices allocating to Puerto Rico the \$1.5 billion, and \$8.22 billion tranches and describing relevant statutory and regulatory requirements, waivers, and the criteria for action plan approval and amendments.

On August 1, 2018, HUD approved the Puerto Rico Action Plan which outlines how the PRDoH, as grantee of CDBG-DR funds, will use the first \$1.5 billion in assistance.^[1] For the second tranche, PRDoH must submit, on or before November 18, 2018, a substantial amendment to the foregoing Action Plan.^[2] HUD will have 45 days from the date of receipt to review this substantial amendment and determine whether to approve it.

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For the \$10.28 billion tranche, HUD will issue a future notice specifying the requirements and process to be followed by the Government of Puerto Rico and PRDoH for its disbursement.

1. CDBG-DR Program's Flexibility

The CDBG-DR program is very flexible and may fund a wide array of eligible activities. Grantees (e.g., the Government of Puerto Rico through PRDoH) may exercise a great degree of discretion in determining how to use the funds.

Eligible activities, however, must address long term-recovery, restoration of infrastructure and housing, and economic revitalization in the most impacted and distressed areas. Eligible recipients of CDBG-DR assistance include state agencies, non-profit organizations, economic development agencies, citizens and private businesses.

CDBG-DR funds:

- May be used to supplement other Federal recovery assistance programs administered by the Federal Emergency Management Agency (FEMA), the Small Business Administration (SBA), and the United States Army Corps of Engineers (USACE)
- May be combined with the HOME Program, Low Income Housing Tax Credits ("LIHTC") Program, Section 8 Program, and other sources of funding (e.g., private).
- Cannot duplicate funding available from federal, state or local governments, private and non-profit organizations, insurance proceeds, or any other source of assistance.

III. Where We Are?

As of today, HUD and PRDoH have not executed the grant agreement for the release of the first \$1.5 billion. Based on information provided by PRDoH's officials, the agreement was expected to be executed shortly. For the \$8.22 billion tranche, PRDoH expects that these funds will be available by the end of January 2019.

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