



DEPARTMENT OF  
**HOUSING**



# CDBG-DR PROGRAM GUIDELINES

## SMALL BUSINESS INCUBATORS AND ACCELERATORS PROGRAM

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PUERTO RICO DEPARTMENT OF HOUSING  
CDBG-DR PROGRAM GUIDELINES  
**SMALL BUSINESS INCUBATORS AND ACCELERATORS PROGRAM**  
VERSION CONTROL

<b>VERSION NUMBER</b>	<b>DATE REVISED</b>	<b>DESCRIPTION OF REVISIONS</b>
1	March 10, 2020	Original version
2	March 26, 2020	Edits to Eligible Entities section to include for profit entities as authorized under 24 C.F.R. § 570.201(o).
3	April 28, 2020	Edits to the Eligible Costs section to clarify property acquisition eligibility. See additions in gray.
4	July 2, 2020	Edits to Eligible Entities section to include Municipal Governments.
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# 1 Overview

Puerto Rico suffered island-wide damage as a result of Hurricanes Irma and María which struck in September 2017 (the **Hurricanes**). Torrential downpour, sustained winds of 155 miles per hour (**mph**), and gusts over 175 mph left the Island's infrastructure and economic systems crippled. In the wake of the Hurricanes, most residents were left without access to electricity, fuel, water, and basic communications. Many small businesses became immediately restricted in their ability to operate, leaving impacted residents without employment during a time of dire need.<sup>1</sup>

Prior to the Hurricanes, Puerto Rico had already been facing economic contraction in the years leading up to the hurricane. Consequently, business development and entrepreneurship has been stifled in communities across the Island, leaving a wider decline for new businesses within the Puerto Rican island-based economy. As a response to the post-hurricane spike in unemployment, Puerto Rico recognizes that a blend of ideas, talent, capital, and a culture of openness and collaboration are all vital to nurturing an innovative business development ecosystem that drives long term recovery.

The strong correlation between entrepreneurship and its ability to drive economic innovation, employment growth, productivity, and wealth accumulation within communities is an area of unmet need.<sup>2</sup> New businesses need significant support in infrastructure and services to participate in the economic rebirth of the Island and efforts toward future resilience.

This resiliency involves, among other things, complex interactions among entrepreneurs, investors, suppliers, universities, government entities, large existing businesses, and a host of supporting actors and organizations. The Small Business Incubators and Accelerators Program (**SBIA Program** or **Program**) provides services and physical spaces to support the development of Puerto Rico's small businesses and entrepreneurs that are creating jobs and expanding economic opportunities for residents Island-wide.

## 1.1 Incubators and Accelerators

Small Business Incubators and Accelerators are organizational programs that service small and new businesses. They provide physical space, education, mentorship, access to capital investment, and technical assistance that supports entrepreneurial success and business sustainability.

A **small business incubator** assists small or new businesses through the provision of business development technical assistance services and/or programs in a physical space for a

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<sup>1</sup> Estudios Técnicos Inc., Industriales Puerto Rico, *Preliminary Estimate: Cost of Damages by Hurricane María*, October 6, 2017, <https://estadisticas.pr/files/inline-files/Preliminary%20Estimate%20Cost%20of%20Maria-1.pdf>

<sup>2</sup> *Concise Guide to Entrepreneurship, Technology and Innovation* 106 (David B. Audretsch, Christopher S. Hayter & Albert N. Link eds., 2015).

designated period of time. This helps businesses get new ideas off the ground, reduce costs, and create sustainable jobs and economic activity.

A **small business accelerator** is a kind of business development “boot camp” for small and new businesses with proven concepts on shorter time frames. The goal of accelerators is to launch viable ideas quickly and attract additional investment opportunities for the participants.

Incubators and Accelerators are not necessarily mutually exclusive, and a diversity of hybrid concepts have proven effective for small business development.

All business Incubators and Accelerators, however, share two main goals:

1. To provide physical space and business resources at non-prohibitive costs to small and new businesses; and
2. To provide daily work in a shared, collaborative environment with access to mentoring services, professional networking, idea-exchanges, hands-on management training/workshops, consulting, and technical assistance.

Incubators and Accelerators operate across all industry sectors and in a variety of facilities.

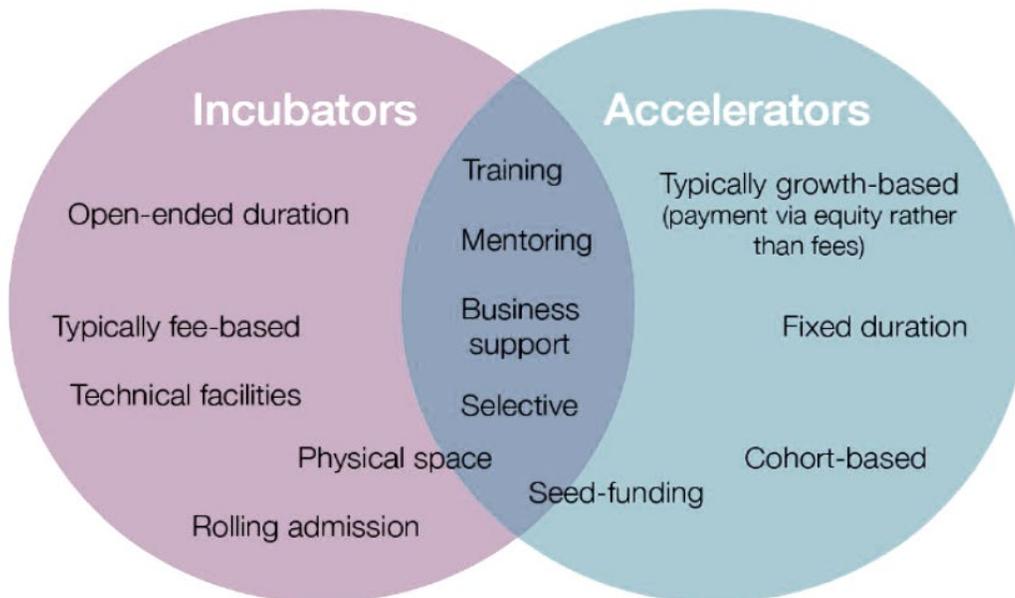


Figure 1. Incubator & Accelerator characteristics, Source: SBA.gov

## 2 National Objective

All activities of the Community Development Block Grant for Disaster Recovery (**CDBG-DR**) Program must meet one (1) of the three (3) National Objectives defined in the authorizing statute of the CDBG Program at 104(b)(3) of the Housing and Community Development Act of 1974 (**HCDA**), as amended, 42 U.S.C. § 5305. The Puerto Rico Department of Housing (**PRDOH**) anticipates that each Program's eligible activities will meet one of the below listed national objectives. PRDOH will work with entities who are funded through this Program to determine the national objective for each project as according to 24 C.F.R. § 570.483 and listed here below:

- Benefit to low- and moderate-income persons (**LMI**) (24 C.F.R. § 570.483(b))
  - Job Creation/Retention
  - Area Benefit
  - Limited Clientele
- Urgent Need (**UN**) activities (24 C.F.R. § 570.483(d))
- Aid in prevention or elimination of Slums or Blight (**SB**) (24 C.F.R. § 570.483(c))

PRDOH has set a goal to expend thirty percent (30%) of SBIA Program funds on projects that result in a benefit to LMI individuals or that demonstrably serve LMI areas.

## 3 Program Description

The SBIA Program is overseen by PRDOH and implemented by eligible subrecipients who respond to a Notice of Funding Availability (**NOFA**) with a viable project application that follows one of two optional program paths:

### 1. Technical Assistance Option

Includes only the first component listed below (**Option A**).

### 2. Technical Assistance + Construction Option

Includes both components listed below (**Options A & B**).

### 3.1 Technical Assistance (Option A)

Provides business development technical assistance programming related to the incubation/acceleration of small and new businesses and associated activities. Examples of these services include:

- Technical assistance pertaining to:
  - Business basics
  - Entrepreneurship
  - Marketing
  - Accounting/financial management
  - Business etiquette

- Regulatory compliance
- Networking
- Presentation skills
- Business planning
- Outreach plans/strategies targeting PR island demographics
- Cooperative and/or Non-profit development
- Business development
- Assistance in gaining:
  - Exposure to strategic partners
  - Exposure to angel investors
  - Exposure to venture capital
  - Securing other financial resources
- The provision of ongoing business support and mentoring services that includes regular and periodic support, advice, and recommendations for improvement.

### **3.2 Construction (Option B)**

Provides small business incubation/acceleration space through rehabilitation, renovation, construction, or acquisition activities. The goal is to create diverse business incubators and accelerators throughout the Island and have adequate facilities for the above listed technical assistance services in which to expand and operate sustainably.

Examples include but are not limited to:

- Co-working and/or shared resource offices
- Affordable workspace and physical resources associated with making the space functional for small business development and operations
- Research or manufacturing spaces
- Computer-aided design (**CAD**) facilities
- Industrial kitchens
- Aqua/agricultural tech research and development (**R&D**) spaces
- Biotech/chemistry laboratories
- Green/renewable energy tech R&D

The Program will prioritize Applications that consider sustainability and climate resiliency in their incubator/accelerator build outs. In addition, Program Applications are encouraged to integrate rehabilitation and renovation of existing, unused, or blighted real estate. The Program will provide grants to organizations and entities that demonstrate, through an Application, that they have experience operating and/or developing small business incubators and/or accelerators and associated programming. Furthermore, these services must serve hurricane affected populations on the Island while

performing eligible activities outlined in these guidelines and meeting one of the Program's national objectives. PRDOH will issue a NOFA as the initial process in identifying organizations and entities to participate in the Program. After the NOFA process has closed and projects have been reviewed and selected, PRDOH will work with selected subrecipients to refine their project Applications and inform them of options for procuring construction services needed to execute the construction-related program component.

The total allocation for the SBIA Program is eighty-five million dollars (\$85,000,000) but is subject to change with additional CDBG-DR Action Plan Amendments. The individual grant award maximum is two million five hundred thousand dollars (\$2,500,000); however, it is possible that not all incubators and accelerators will receive the maximum amount. Funding through the Program will be based on organizational capacity as submitted in a project Application to the Program. Eligible incubators/accelerators are expected to submit a viable sustainability plan for operations after CDBG-DR funds are expended. Applicants are encouraged to consider complementary funding streams in their project designs and include this in an Application to the Program as CDBG-DR funds can only be used on costs defined in these guidelines and within the NOFA.

## 4 Roles

### 4.1 PRDOH

The Puerto Rico Department of Housing is the administering entity for the SBIA Program. In this role, PRDOH administers the NOFA process to solicit and select applications from qualified incubator and/or accelerator entities. PRDOH will also evaluate and select qualified Applicants, then execute a Subrecipient Agreement (**SRA**) with selected entities and monitor performance throughout the grant.

### 4.2 Subrecipients

Subrecipients are incubator and/or accelerator entities that respond to the NOFA with a viable application and project plan, are competitively selected, and execute an SRA with PRDOH. Subrecipients are responsible for program implementation under PRDOH's guidance and instruction. Subrecipients are responsible for cooperating with CDBG-DR compliant procurement processes in order to execute all program components effectively. Subrecipients are also required to comply with all milestone reporting requirements as per CDBG-DR policies.

## 5 Eligible Use of Funds

The SBIA Program provides CDBG-DR funding awards in the form of grants to non-profits and other eligible entities through a NOFA announcement. Funding must be used as outlined in these program guidelines and in the NOFA. All projects funded by the U.S. Department of Housing and Urban Development (**HUD**) must meet a national objective, as listed in these guidelines, and meet at least one (1) eligible activity requirement as

shown in this section. Entities must also agree to provide long-term operations, maintenance, and sustainability plans for facilities and services therein.

## 5.1 Eligible Entities

Entities eligible to respond to the NOFA for the SBIA program include:

- NGO (501 (c) (3)) or Not for Profit Entities;
- Community Based Development Organizations;
- Public Institution of Higher Learning (University);
- Administrative Agency or Department of the Government of Puerto Rico (State Agencies);
- Municipal Governments;
- For Profit Entities as authorized under 24 C.F.R. § 570.201 (o).

## 5.2 Eligible Activities

Eligible activities for this Program, per the Housing and Community Development Act of 1974, are Sections 105(a)(15) assistance to neighborhood-based nonprofit organizations, local development corporations, nonprofit organizations serving the development needs of the communities, and 105(a)(17) for-profit assistance for economic development, and 105(a)(22) microenterprise assistance.<sup>3</sup>

## 5.3 Eligible Costs

Eligible activities for this program include:

- Technical assistance related to small business incubation/acceleration as defined in these guidelines;
- Operational costs including, but not limited to, utilities, maintenance, and equipment for incubators/accelerators and businesses;
- Architectural, engineering and design costs for construction related to rehabilitation or new construction of an incubator/accelerator space;
- Acquisition, preservation, renovation, rehabilitation, or construction of buildings for use as small business incubators/accelerators; and
- Non-Profit assistance, For-profit assistance, and Microenterprise assistance.

## 6 Program Eligibility

Program funding may be used to enhance SBIA organizational programs and to retrofit or rehabilitate existing facilities for the program to expand into. In some cases, projects may involve the construction of new facilities, particularly if additional, non-CDBG-DR funds, are incorporated in the project. For rehabilitation and construction activities,

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<sup>3</sup> More information on CDBG-DR eligibility requirements can be found here: <https://www.hudexchange.info/resource/3689/24-cfr-part-570-cdbg/>

Applications must demonstrate a funding need that is unmet and unattainable through non-federal sources.

Furthermore, Applications will be evaluated on the level of quality of services to be provided to the incubator and accelerator participants and viability of proposed project overall. The Subrecipient is accountable to PRDOH, having administrative or other responsibilities.

## 6.1 Baseline Eligibility Requirements

PRDOH will award funding for this Program by first issuing a NOFA. In order to be provided CDBG-DR funding in any round, all projects must meet the following baseline requirements:

- Meet a HUD National Objective (see the National Objective section);
- Have CDBG-DR eligible activity (see the Eligible Activities section);
- Must be able to be completed by the date established in the SRA;
- Must have a tie to the hurricanes. Project is related to disaster relief, long-term recovery, restoration of infrastructure and housing, or economic revitalization related to the covered disaster, and this information is captured in the Application process;
- Project is feasible and sustainable, and all other funding sources are firmly committed (see the Program Eligibility and Duplication of Benefits sections);
- The responsible entity for the project must demonstrate in the Application process that it has the resources to ensure an on-going operation, maintenance, and sustainability plan is established for facilities and services therein; and
- Must show that the project strives to implement green building standards, green business standards, sustainability, and resiliency measures.

## 6.2 Additional Eligibility Requirements

Eligible Applicants must also meet all the following conditions:

- Must be a business incubator/accelerator with proven capacity or have established business development curriculum;
- Must propose to viably provide space to house more than one small business or microenterprise for duration of the grant;
- Incubator/accelerator must be located in Puerto Rico or commit to developing an incubator/or accelerator on the Island;
- Must be able to provide essential business development services and resources;
- Must have a plan to operate after the grant;
- Must provide a marketing plan to demonstrate outreach efforts and how services will be promoted; and
- Must have experience providing technical assistance to businesses.

### **6.3 Additional Consideration**

PRDOH will score applications against a number of factors that are deemed critical to the execution and delivery of program objectives. The below listed criteria, can give an Applicant extra consideration when integrated into project applications.

Eligible project applications should prioritize the following for extra consideration:

- Programs targeting higher populations of LMI clientele;
- Programs that have established relationships with local business service providers and local business support networks;
- Applications that prioritize rehabilitation over new construction; and
- Applications that incorporate resilience measures to allow for continuity of business operations in the event of power outages, natural disasters, or other disruptive events.

## **7 Monitoring**

Entities receiving CDBG-DR assistance must submit progress reports as required by PRDOH and will also be subject to periodical monitoring site visits. The reports will be evaluated based on the program requirements outlined in these guidelines and specific reporting as required by the SRA.

## **8 Tie to the Hurricanes**

HUD requires that CDBG-DR programs have a tie to the Hurricanes. With every municipal government in Puerto Rico being determined by the HUD Federal Register Vol. 83, No. 28 (February 9, 2018), 83 FR 5844 to be a “most impacted and distressed” area, funding is available to all communities across Puerto Rico. In accordance with 83 FR 5844, “[a]ll CDBG-DR funded activities must clearly address an impact of the disaster for which funding was allocated.” Since the Hurricanes “affected the whole Island there is an imperative to bolster and rebuild the economy and businesses on the Island. This program’s aim is to help businesses that may have been affected by the hurricanes or that were born from a need or idea that was realized after the hurricanes. SBIA’s will support the islands businesses, create jobs, and grow the economy.

## **9 Grant Underwriting**

PRDOH follows HUD guidelines as the financial underwriting framework for evaluating the feasibility of project applications. PRDOH recognizes that different levels of review are appropriate to consider differences in the size and scope of a proposed project and, in the case of a microenterprise or other small business, to take into account the differences in the capacity and level of sophistication among businesses of differing sizes.

The objectives of the underwriting guidelines are to ensure all award Applicants must meet the CDBG Underwriting Criteria of 24 C.F.R. § 570.209(a):

1. that project costs are reasonable;
2. that all sources of project financing are committed;
3. that to the extent practicable, CDBG funds are not substituted for non-Federal financial support;
4. that the project is financially feasible;
5. that to the extent practicable, the return on the owner's equity investment will not be unreasonably high; and
6. that to the extent practicable, CDBG funds are disbursed on a pro rata basis with other finances provided to the project.

## 10 Program Application

PRDOH will implement the Program by issuing a Notice of Funding Availability. After the issuance of the NOFA, potential respondents will have a specified period of time to submit applications to PRDOH detailing the project and how the Project meets the objectives of the Program. At the close of the NOFA period, PRDOH will review applications for eligibility threshold requirements and evaluate based on how the project application aligns with the goals of the program. PRDOH will then inform and work with the selected entities through the remaining steps in successfully completing the agreement process and commencement of funding program delivery. PRDOH will post the selected projects to its website.

### 10.1 NOFA Process Summary

PRDOH will inform the public that a NOFA to participate in the SBIA Program is open. After formally announcing the Program, PRDOH will post the NOFA to the PRDOH website and/or other outreach locations. The NOFA will be posted for **sixty (60) days**.

After NOFA response period has closed, PRDOH will evaluate and review each application received. Consequently, after the applications have been evaluated and selected, PRDOH will inform the selected respondents and begin the post selection process outlined in NOFA. Finally, PRDOH will execute SRA's with selected program participants.

Further guidance on specifics related to applications and the selection process will be provided within the published NOFA. PRDOH will, at its discretion, determine the final items to be provided in the NOFA which will include additional information, criteria, and special considerations for application selection. When the NOFA is released and published, it will be posted to the PRDOH website and additional information may be appended to these guidelines.

## 11 Environmental Review

An environmental review is the process of reviewing a project and its potential environmental impacts to determine whether it meets federal, state, and local

environmental standards. Every project undertaken with federal funds, and all activities associated with such project, are subject to the provisions of the National Environmental Policy Act of 1969 (**NEPA**), as well as to the HUD environmental review regulations at 24 C.F.R. § 58. Therefore, an environmental review process is required for all awards to be issued under the Program to ensure that the proposed activities do not negatively impact the surrounding environment and that the property itself will not have an adverse environmental or health effect on end users. 24 C.F.R. § 58.22 prohibits the commitment or spending of federal or non-federal funds on any activity that could have an adverse environmental impact or limit the choice of reasonable alternatives prior to completion of an environmental review. Environmental clearance must be obtained for each project prior to the commitment of federal or non-federal funds. A violation of this requirement may jeopardize federal funding for the Program and disallow all costs that were incurred before completion of the environmental review.

All Program awards must have documentation that they follow NEPA and other environmental requirements. Therefore, all projects shall have an Environmental Review Record (**ERR**), as required by NEPA and related laws. The ERR for the projects shall set forth: the existence of negative impacts on a site; the means to mitigate negative impacts; alternatives to the project (if needed); and the rejection of the proposed activities if all other options fail and it becomes the most prudent action to take.

Environmental reviews will be conducted concurrently with DOB reviews, when feasible. Environmental reviews must be completed prior to determining Program award to be offered to an eligible applicant.

### **11.1 Environmental Level of Review**

To conduct the appropriate level of environmental review, the SBIA Program will determine the environmental classification of the project. The term "project" may be defined as an activity or group of activities geographically, functionally, or integrally related, regardless of funding source, to be undertaken by the Program in whole or in part to accomplish a specific objective. There are four major classifications of environmental review for projects:

- **Exempt Activities:** Those activities which are highly unlikely to have any direct impact on the environment.
- **Categorically Excluded Activities:** Those activities that may have an impact to the environment, but not to extent that an Environmental Assessment under NEPA or Environmental Impact Statement is required. There are two types of Categorically Excluded Activities, as follows:
  - **Categorically Excluded Not Subject to 24 C.F.R. § 58.5:** Includes those activities included under 24 C.F.R. § 58.35 (b) and require environmental checks for the items listed at 24 C.F.R. § 58.6. For activities under this

classification, no public notice or request for release of funds is required to use grant funds.

- Categorically Excluded Subject to 24 C.F.R. § 58.5: Refers to those activities included under 24 C.F.R. § 58.35 (a) and require environmental checks for the items listed at 24 C.F.R. § 58.5 and 24 C.F.R. § 58.6. If any environmental items are identified as potentially impacting (such as floodplains), a Request for Release of Funds (including publication of Notice of Intent) is required.
- Environmental Assessment: Includes those activities that could potentially have a significant impact on the environment. In addition to compliance with the laws and authorities at 24 C.F.R. § 58.5 and 24 C.F.R. § 58.6, environmental assessments must consider an array of additional potential impacts of the project, including a National Environmental Policy Act analysis. This environmental assessment requires publishing a Notice of Intent to Request Release of Funds as well as a Finding of No Significant Impact (assuming such is found).
- Environmental Impact Statement: Those activities that require a detailed written statement required by Section 102(2)(C) of NEPA for a proposed major Federal Action significantly affecting the quality of the human environment. These statements are normally used for major housing (2,500 units or more) or infrastructure projects.

The level of environmental review for the SBIA Program will be determined on a case by case basis, considering the particularities of each project presented by the Applicants and how they conform to the requirements of exempt activities, categorically excluded activities, environmental assessment and the environmental impact statement, as listed above. This will include considerations whether or what type of construction activities are included, if any, among other factors. Environmental clearance must be obtained for each project prior to the commitment of federal or non-federal funds.

## 12 Duplication of Benefits (DOB)

The Robert T. Stafford Disaster Relief and Emergency Assistance Act (**Stafford Act**), as amended, 42 U.S.C. § 5121 *et seq.*, prohibits any person, business concern, or other entity from receiving Federal funds for any part of such loss as to which **they have** received financial assistance under any other program, from private insurance, charitable assistance, or any other source. As such, PRDOH must consider disaster recovery aid received by, **or available to**, Program Applicants from any other federal, state, local or other source and determine if any assistance is duplicative. Any assistance determined to be duplicative must be deducted from the Program's calculation of the Applicant's total need prior to awarding assistance.

To be eligible for the SBIA Program and as part of the application process, all Applicants must confirm and provide assurance that efforts will be made to avoid a “duplication of benefits”. PRDOH understands and expects that for some projects funded through this Program that other Federal forms of funding may be possible and that for each project PRDOH will perform a DOB analysis for each funded project.

The duplication of benefits guidance included in Federal Register Vol. 84, No. 119 (June 20, 2019), 84 FR 28836, supersedes the duplication of benefits guidance issued in Federal Register Vol. 76, No. 221 (November 16, 2011), 76 FR 71060 for CDBG-DR grants received in response to disasters declared between January 1, 2015 and December 31, 2021. As such, the duplication of benefits policy outlined in the program guidelines follows the guidance issued in 84 FR 28836.

## **13 General Provisions**

### **13.1 Program Guidelines Scope**

This document sets forth the policy governing the Program. These program guidelines are intended to aid and provide program activity guidance in Program implementation and closeout and should not be construed as exhaustive instructions. All Program activities must comply with the policies hereby stated. In addition, all program staff must adhere to established program procedures and all federal and state laws and regulations in effect, as applicable, in the execution of program activities.

However, PRDOH reserves the faculty to authorize, in its sole discretion, the granting of Program benefits to any Applicant, only when exceptional circumstances, not contemplated in these, justify it. Such faculty will be exercised on a case-by-case basis in compliance with local, state and federal requirements. PRDOH is in no way obligated to grant the Program benefits in said cases.

### **13.2 Program Guidelines Amendments**

PRDOH reserves the right to modify the policies established in these guidelines if the program guidelines, as written, do not reflect the intended policy or cause procedures to be impracticable, among any other circumstances. If an amended version of these guidelines is approved, the amended version fully supersedes all other previous versions and should be used as the basis for the evaluation of all situations encountered in the implementation and/or continuance of the Program from the date of its issuance, that is, the date that appears on the cover of these guidelines. Each version of the program guidelines will contain a detailed version control log that outlines any substantive amendment, inclusions and/or changes.

### 13.3 Disaster Impacted Areas

As described in the initial Action Plan, and its amendments, the Government of Puerto Rico will use CDBG-DR funds solely for necessary expenses related to disaster relief, long-term recovery, restoration of housing, infrastructure, and economic revitalization in the impacted and distressed areas in Puerto Rico as identified in disaster declaration numbers DR-4336 and 4339. Through the Federal Register Vol. 83, No. 157 (August 14, 2018), 83 FR 40314, HUD identified that, for Puerto Rico, all components of the Island are considered "most impacted and distressed" areas. Therefore, these guidelines apply to all 78 municipalities of Puerto Rico.

### 13.4 Extension of Deadlines

The Program could extend deadlines on a case-by-case basis. The Program may decline to extend a deadline if such extension will jeopardize the Program's completion schedule or the schedule of an individual construction project. The aforementioned strictly applies to program deadlines or established program terms. Under no circumstance(s) does the faculty to extend deadlines apply to the established terms of time in **these guidelines** or any applicable federal or state law or regulation.

### 13.5 Established Periods of Time

Unless otherwise specified, all established periods of time addressed in this and all CDBG-DR Program Guidelines will be considered calendar days. On this matter, PRDOH, as grantee, will follow Rule 68.1 of the Rules of Civil Procedure of Puerto Rico, 32 LPRA Ap. V, R. 68.1.

### 13.6 Written Notifications

All determinations made by the Program will be notified in writing. If an applicant believes that any determination was made without being written, the applicant may request that such decision be made in writing and duly substantiated.

### 13.7 Conflict of Interest

As stated in the Federal Register Vol. 83, No. 28 (February 9, 2018), 83 FR 5844, Federal regulations require that State grantees, in the direct Grant administration and means of carrying out eligible activities, be responsible with program administrative requirements, including those established in 24 C.F.R. §570.489(h) related to conflicts of interest.

Several federal and state conflict of interest laws can govern CDBG-DR assisted activities. Therefore, PRDOH has enacted the Conflict of Interest and Standards of Conduct **Policy (COI Policy)** in conformity with the following applicable federal and state regulations:

1. HUD conflict of interest regulations, 24 C.F.R. §570.611 and 24 C.F.R. §85.36;
2. The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 C.F.R. **Part** 200 at §200.112 and §200.318 (c)(1);

3. Puerto Rico Department of Housing Organic Act, Act 97 of June 10, 1972, as amended, 3 LPRA. § 441 *et seq.*;
4. The Anti-Corruption Code for the New Puerto Rico, Act No. 2-2018, as amended, 3 LPRA § 1881 *et seq.*; and
5. The Puerto Rico Government Ethics Act of 2011, Act 1-2012, as amended, 3 LPRA § 1854 *et seq.*

The COI Policy outlines PRDOH's responsibility, in its role as grantee, to identify, evaluate, disclose and manage apparent, potential or actual conflicts of interest related to CDBG-DR funded projects, activities and/or operations. Said Policy is intended to serve as guidance for the identification of apparent, potential, or actual conflicts of interest in all CDBG-DR assisted activities and/or operations. In accordance with 24 C.F.R. § 570.489, the COI Policy also includes standards of conduct governing employees engaged in the award or administration of contracts.

As defined in the COI Policy, a conflict of interest is a situation in which any person who is a public servant, employee, agent, consultant, officer, or elected official or appointed official of the PRDOH, or of any designated public agencies, or of subrecipients that are receiving funds under the CDBG-DR Program may obtain a financial or personal interest or benefit that is or could be reasonably incompatible with the public interest, either for themselves, or with those whom they have business, or an organization which employs or is about to employ any of the parties indicated herein, or a member of their family unit during their tenure or for **two (2) years** after.

Such conflicts of interests will not be tolerated by PRDOH. Program officials, their employees, agents and/or designees are subject to state ethic laws and regulations, including, but not limited to Puerto Rico Government Ethics Act of 2011, Act 1-2012, as amended, in regard to their conduct in the administration, granting of awards and program activities.

According to the aforementioned Act, no public servant shall intervene, either directly or indirectly, in any matter in which they have a conflict of interests that may result in their benefit. No public servant shall intervene, directly or indirectly, in any matter in which any member of their family unit, relative, partner or housemate has a conflict of interest that may result in benefit for any of the abovementioned. In the case that any of the abovementioned relationships have ended during the **two (2) years** preceding the appointment of the public servant, they shall not intervene, either directly or indirectly, in any matter related to them until **two (2) years** have elapsed after their appointment. This prohibition shall remain in effect insofar the beneficial ties with the public servant exist. Once the beneficial ties end, the public servant shall not intervene, either directly or indirectly, in such matter until **two (2) years** have elapsed.

The above conflict of interest statement does not necessarily preclude PRDOH Program officials, their employees, agents and/or designees from receiving assistance from the Program. On a case-by-case basis, PRDOH Program officials, their employees, agents and/or designees may still be eligible to apply and to receive assistance from the Program if the applicant meets all Program eligibility criteria as stated in these guidelines. PRDOH Program officials, their employees, agents and/or designees should disclose their relationship with PRDOH at the time of their application.

The COI Policy and all CDBG-DR Program policies are available in English and Spanish on the PRDOH website at <https://www.cdbg-dr.pr.gov/en/resources/policies/> and <https://www.cdbg-dr.pr.gov/recursos/politicas/>.

### 13.8 Citizen Participation

Throughout the duration of the grant, all citizen comments on PRDOH's published Action Plan, any substantial amendments to the Action Plan, performance reports and/or other issues related to the general administration of CDBG-DR funds, including all programs funded by this grant, are welcomed.

Citizen comments may be submitted through any of the following means:

- **Via phone:** 1-833-234-CDBG or 1-833-234-2324 (TTY: 787-522-5950)  
Attention hours Monday through Friday from 8:00am-5:00pm
- **Via email at:** [infoCDBG@vivienda.pr.gov](mailto:infoCDBG@vivienda.pr.gov)
- **Online at:** <https://www.cdbg-dr.pr.gov/en/contact/> (English)  
<https://www.cdbg-dr.pr.gov/contact/> (Spanish)
- **In writing at:** Puerto Rico CDBG-DR Program  
P.O. Box 21365  
San Juan, PR 00928-1365

The Citizen Participation Plan and all CDBG-DR Program policies are available in English and Spanish on the PRDOH website at <https://www.cdbg-dr.pr.gov/en/citizenparticipation/> and <https://www.cdbg-dr.pr.gov/participacion-ciudadana/>. For more information on how to contact PRDOH, please refer to [www.cdbg-dr.pr.gov](http://www.cdbg-dr.pr.gov).

### 13.9 Citizen Complaints

As part of addressing Puerto Rico's long-term recovery needs, citizen complaints on any issue related to the general administration of CDBG-DR funds are welcome throughout the duration of the grant. It is PRDOH's responsibility, as grantee, to ensure that all complaints are dealt with promptly and consistently and at a minimum, to provide a

timely, substantive written response to every **written** complaint within **fifteen (15) calendar days**, where practicable, as a CDBG grant recipient. See 24 C.F.R. § 570.486(a)(7).

Citizens who wish to submit formal complaints related to CDBG-DR funded activities may do so through any of the following means:

- **Via email at:** [LegalCDBG@vivienda.pr.gov](mailto:LegalCDBG@vivienda.pr.gov)
- **Online at:** <https://cdbg-dr.pr.gov/en/complaints/> (English)  
<https://cdbg-dr.pr.gov/quejas/> (Spanish)
- **In writing at:** Puerto Rico CDBG-DR Program  
Attn: CDBG-DR Legal Division-Complaints  
P.O. Box 21365  
San Juan, PR 00928-1365

Although formal complaints are required to be submitted in writing, complaints may also be received verbally and by other means necessary, as applicable, when PRDOH determines that the citizen's particular circumstances do not allow the complainant to submit a written complaint. However, in these instances, PRDOH shall convert these complaints into written form. These alternate methods include, but are not limited to:

- **Via telephone\*:** 1-833-234-CDBG or 1-833-234-2324 (TTY: 787-522-5950)
- **In-person at\*:** PRDOH Headquarters Office or Program-Specific Intake Centers

\*Attention hours: Monday – Friday from 8:00 a.m. to 5:00 p.m.<sup>4</sup>

The Citizen Complaints Policy and all CDBG-DR Program policies are available in English and Spanish on the PRDOH website at <https://www.cdbg-dr.pr.gov/en/resources/policies/general-policies/> and <https://www.cdbg-dr.pr.gov/recursos/politicas/politicas-generales/>.

### **13.10 Anti-Fraud, Waste, Abuse or Mismanagement**

PRDOH, as grantee, is committed to the responsible management of CDBG-DR funds by being a good advocate of the resources while maintaining a comprehensive policy for preventing, detecting, reporting, and rectifying fraud, waste, abuse, or mismanagement.

Pursuant to 83 FR 40314, PRDOH implements adequate measures to detect and prevent fraud, waste, abuse, or mismanagement in all programs administered with CDBG-DR

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<sup>4</sup> Hours may vary due to COVID-19. PRDOH recommends calling ahead prior to arrival to corroborate.

funds as well as encourages any individual who is aware or suspects any kind of conduct or activity that may be considered an act of fraud, waste, abuse, or mismanagement, regarding the CDBG-DR Program, to report such acts to the CDBG-DR Internal Audit Office, directly to the Office of Inspector General (**OIG**) at HUD, or any local or federal law enforcement agency.

The Anti-Fraud, Waste, Abuse, or Mismanagement Policy (**AFWAM Policy**) is established to prevent, detect, and report any acts, or suspected acts, of fraud, waste, abuse, or mismanagement of CDBG-DR funds. This Policy applies to any allegations or irregularities, either known or suspected, that could be considered acts of fraud, waste, abuse, or mismanagement, involving any citizen, previous, current or potential applicant, beneficiary, consultant, contractor, employee, partner, provider, subrecipient, supplier, and/or vendor under the CDBG-DR Program.

<b>REPORT FRAUD, WASTE, ABUSE, OR MISMANAGEMENT TO PRDOH CDBG-DR</b>	
CDBG-DR Hotline	787-274-2135 (English/Spanish/TTY)
Postal Mail	Puerto Rico Department of Housing CDBG-DR Internal Audit Office P.O. BOX 21355 San Juan, PR 00928-1355
Email	<a href="mailto:hotlineCDBG@vivienda.pr.gov">hotlineCDBG@vivienda.pr.gov</a>
Online	Filling out the <b>AFWAM Submission Form</b> available in English and Spanish at <a href="http://www.cdbg-dr.pr.gov">www.cdbg-dr.pr.gov</a> or <a href="https://cdbg-dr.pr.gov/app/cdbgdpublic/Fraud">https://cdbg-dr.pr.gov/app/cdbgdpublic/Fraud</a>
In person	Request a meeting with the Deputy Audit Director of the CDBG-DR Internal Audit Office located at PRDOH's Headquarters at 606 Barbosa Avenue, Building Juan C. Cordero Davila, Río Piedras, PR 00918.

<b>REPORT FRAUD, WASTE, ABUSE, OR MISMANAGEMENT DIRECTLY TO HUD OIG</b>	
HUD OIG Hotline	1-800-347-3735 (Toll-Free) 787-766-5868 (Spanish)
Postal Mail	HUD Office of Inspector General (OIG) Hotline 451 7th Street SW Washington, D.C. 20410
Email	<a href="mailto:HOTLINE@hudoig.gov">HOTLINE@hudoig.gov</a>
Online	<a href="https://www.hudoig.gov/hotline">https://www.hudoig.gov/hotline</a>

The AFWAM Policy and all CDBG-DR Program policies are available in English and Spanish on the PRDOH website at <https://www.cdbg-dr.pr.gov/en/resources/policies/> and <https://www.cdbg-dr.pr.gov/recursos/politicas/>.

### **13.11 Related Laws and Regulations**

These guidelines make reference as to how the provisions of certain laws apply to the Program. However, other related laws may exist which are not included in these Guidelines. This does not negate or preclude the Program from applying the provisions of those laws, nor an applicant from receiving services, when applicable. Moreover, PRDOH can enact, or may have enacted, regulations that address how the laws mentioned in these guidelines are managed. If there are any discrepancies between these guidelines and the laws and/or regulations mentioned in them, then the latter will prevail over the guidelines. If at any time the laws and/or the applicable regulations mentioned in these guidelines are amended, the new provisions will apply to the Program without the need to amend these guidelines.

### **13.12 Cross-Cutting Guidelines**

Some federal and local requirements apply to all programs funded by CDBG-DR. These Cross-Cutting Guidelines cover topics such as: financial management; environmental review; labor standards; acquisition; relocation; **civil rights**; fair housing; among others. The requirements described in the above referenced Cross-Cutting Guidelines, apply to all programs described in PRDOH's CDBG-DR Initial Action Plan and its amendments.

The Cross-Cutting Guidelines and all CDBG-DR Program policies are available in English and Spanish on the PRDOH website at <https://www.cdbg-dr.pr.gov/en/resources/policies/> and <https://www.cdbg-dr.pr.gov/recursos/politicas/>.

## **14 Program Oversight**

Nothing contained within these guidelines is intended to limit the role of PRDOH, HUD, and/or corresponding authorities from exercising oversight and monitoring activities of the Program.

## **15 Severability Clause**

If any provision of these guidelines, or the application thereof to any person, partnership, or corporation, or circumstance, is deemed invalid, illegal, or incapable of being enforced to any extent by a competent court, the remainder of these guidelines, and the application of such provisions, will not be affected. All valid applications of these guidelines shall be severed from any applications deemed invalid, leaving the valid applications in full force.

**END OF GUIDELINES**