



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-7000

ASSISTANT SECRETARY FOR
COMMUNITY PLANNING AND DEVELOPMENT

SEP 17 2018

The Honorable Fernando Gil Enseñat, Esq.
Secretary
Department of Housing
Commonwealth of Puerto Rico
P.O. Box 21365
San Juan, PR 00928-1365

Dear Mr. Gil Enseñat:

On July 29, 2018, the Department approved the Commonwealth of Puerto Rico Action Plan for Community Development Block Grant disaster recovery (CDBG-DR) funds appropriated under the Additional Supplemental Appropriations for Disaster Relief Requirements Act, 2017, Public Law (P.L.) 115-56, which allocated \$1,507,179,000 for long-term recovery efforts. This letter transmits the enclosed grant agreement and conditions. The Department reviewed the Commonwealth's Financial Certifications and Implementation Plan and determined the Commonwealth has capacity to manage these funds and the associated risks of this grant.

As described in the Action Plan, the Commonwealth 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. Additionally, the State must expend at least 80 percent of the total award amount within HUD-identified "most impacted and distressed" areas and not less than 70 percent of the aggregate of CDBG program funds to support activities benefitting low- and moderate-income persons, as required by the February 9, 2018, *Federal Register* Notice. It is imperative that Puerto Rico hire key staff to ensure recovery operations can be implemented. Any CDBG-DR grant funds provided to the Puerto Rico Public Housing Administration must be used in compliance with the Voluntary Compliance Agreement between HUD and Puerto Rico Public Housing Administration executed September 29, 2016.

Please execute three copies of the grant agreement and return with original signatures by overnight express mail to Ms. Tennille S. Parker, Director, Disaster Recovery and Special Issues Division, Department of Housing and Urban Development, 451 7th Street, SW, Room 7272, Washington, DC 20410. Please note, special grant terms and conditions for the use of these funds are also enclosed.

Upon receipt, the grant agreement will be executed by the Department, and a copy will be returned for your files. The date that the Department signs the grant agreement is the obligation date for these funds. All funds obligated by this grant agreement must be expended within six years. Additionally, the Commonwealth's line of credit for this grant will be established once the funds have been obligated. The Commonwealth's CDBG-DR line of credit is accessible through HUD's Disaster Recovery Grant Reporting (DRGR) system.

Please be advised that Puerto Rico is required to report on its use of CDBG-DR funds outlined in the Action Plan through the DRGR system. The DRGR reporting requirements are outlined in detail in the *Federal Register* Notices as well as ongoing policy guidance. While Puerto Rico may have several users established in the DRGR system, please contact Tennille Parker at (202) 402-4559 to have new users registered or to resolve any DRGR access issues.

If you or your staff have any questions, please contact Stan Gimont, Deputy Assistant Secretary for Grant Programs, at (202) 402-4559.

Sincerely,



Neal Rackleff
Assistant Secretary

Enclosure(s)

Funding Approval/Agreement

Title I of the Housing and Community Development Act (Public Law 930383)
 HI-00515R of 20515R

U.S. Department of Housing and Urban Development
 Office of Community Planning and Development
 Community Development Block Grant Program

OMB Approval No.
 2506-0193 (exp 5/31/2018)

1. Name of Grantee (as shown in item 5 of Standard Form 424) Commonwealth of Puerto Rico	3a. Grantee's 9-digit Tax ID Number 6-60558579	3b. Grantee's 9-digit DUNS Number 1-25967484
2. Grantee's Complete Address (as shown in item 5 of Standard Form 424) Department of Housing P.O. Box 21365 San Juan, PR 00928-1365	4. Date use of funds may begin (mm/dd/yyyy) 09/05/2017	
	5a. Project/Grant No. 1 « B-17-DM-72-0001	6a. Amount Approved \$1,507,179,000
	5b. Project/Grant No. 2	6b. Amount Approved

Grant Agreement: This Grant Agreement between the Department of Housing and Urban Development (HUD) and the above named Grantee is made pursuant to the authority of Title I of the Housing and Community Development Act of 1974, as amended, (42 USC 5301 et seq.). The Grantee's submissions for Title I assistance, the HUD regulations at 24 CFR Part 570 (as now in effect and as may be amended from time to time), and this Funding Approval, including any special conditions, constitute part of the Agreement. Subject to the provisions of this Grant Agreement, HUD will make the funding assistance specified here available to the Grantee upon execution of the Agreement by the parties. The funding assistance specified in the Funding Approval may be used to pay costs incurred after the date specified in item 4 above provided the activities to which such costs are related are carried out in compliance with all applicable requirements. Pre-agreement costs may not be paid with funding assistance specified here unless they are authorized in HUD regulations or approved by waiver and listed in the special conditions to the Funding Approval. The Grantee agrees to assume all of the responsibilities for environmental review, decision making, and actions, as specified and required in regulations issued by the Secretary pursuant to Section 104(g) of Title I and published in 24 CFR Part 58. The Grantee further acknowledges its responsibility for adherence to the Agreement by sub-recipient entities to which it makes funding assistance hereunder available.

U.S. Department of Housing and Urban Development (By Name) Benjamin S. Carson, Sr.	Grantee Name Ricardo Rosselló
Title Secretary	Title Governor
Signature	Signature
Date (mm/dd/yyyy) 9-20-2018	Date (mm/dd/yyyy) 9/20/2018

7. Category of Title I Assistance for this Funding Action (check only one) <input type="checkbox"/> a. Entitlement, Sec 106(b) <input type="checkbox"/> b. State-Administered, Sec 106(d)(1) <input type="checkbox"/> c. HUD-Administered Small Cities, Sec 106(d)(2)(B) <input type="checkbox"/> d. Indian CDBG Programs, Sec 106(a)(1) <input type="checkbox"/> e. Surplus Urban Renewal Funds, Sec 112(b) <input type="checkbox"/> f. Special Purpose Grants, Sec 107 <input type="checkbox"/> g. Loan Guarantee, Sec 108 <input checked="" type="checkbox"/> h. P.L. 115-56	8. Special Conditions (check one) <input type="checkbox"/> None <input checked="" type="checkbox"/> Attached	9a. Date HUD Received Submission (mm/dd/yyyy) 06/15/2018	10. check one <input checked="" type="checkbox"/> a. Orig. Funding Approval <input type="checkbox"/> b. Amendment Number
		9b. Date Grantee Notified (mm/dd/yyyy) 02/09/2018	
		9c. Date of Start of Program Year (mm/dd/yyyy) «»	
11. Amount of Community Development Block Grant			
	FY (2017)	FY ()	FY ()
a. Funds Reserved for this Grantee	\$1,507,179,000		
b. Funds now being Approved			
c. Reservation to be Cancelled (11a minus 11b)	N/A		

12a. Amount of Loan Guarantee Commitment now being Approved N/A	12b. Name and complete Address of Public Agency Puerto Rico Department of Housing 606 Barbosa Avenue, Juan C. Arden Building San Juan, PR 00918
Loan Guarantee Acceptance Provisions for Designated Agencies: The public agency hereby accepts the Grant Agreement executed by the Department of Housing and Urban Development on the above date with respect to the above grant number(s) as Grantee designated to receive loan guarantee assistance, and agrees to comply with the terms and conditions of the Agreement, applicable regulations, and other requirements of HUD now or hereafter in effect, pertaining to the assistance provided it.	12c. Name of Authorized Official for Designated Public Agency FERNANDO Gil-Ensenat
	Title Secretary
	Signature

HUD Accounting use Only

Batch	TAC	Program	Y	A	Reg	Area	Document No.	Project Number	Category	Amount	Effective Date (mm/dd/yyyy)	F
	153											
	176											
			Y					Project Number		Amount		
			Y					Project Number		Amount		

Date Entered PAS (mm/dd/yyyy)	Date Entered LOCCS (mm/dd/yyyy)	Batch Number	Transaction Code	Entered By	Verified By
-------------------------------	---------------------------------	--------------	------------------	------------	-------------

**Grant Special Conditions
CDBG Disaster Recovery Assistance
Commonwealth of Puerto Rico
Supplemental Appropriations for Disaster Relief
Requirements, 2017
(P.L. 115-56)**

1. These special conditions are attached to the Funding Approval/Agreement (form HUD-7082) between HUD and the Grantee for grant number B-17-DM-72-0001. They modify the Grant Agreement to impose the requirements on the award of Community Development Block Grant disaster recovery (CDBG-DR) funds under Public Law 115-56. By signing the grant agreement, the grantee agrees to these special conditions on the use of grant funds, as may be amended from time to time by the Secretary.
2. The submissions for assistance incorporated into the Grant Agreement include the grantee's CDBG-DR Action Plans and amendments, including the certifications, assurances, and any documentation the grantee is required to submit in advance of the award to support the Secretary's risk assessment and certification. Until grant closeout, the grantee must continue to adhere to the controls, processes, procedures, and plans in the pre-award documentation it submitted to HUD, unless amended with HUD approval.
3. The requirement of the Grant Agreement to comply with the Housing and Community Development Act of 1974, as amended, and the regulations governing the CDBG program at 24 CFR part 570 is modified to incorporate the requirements of the February 9, 2018, *Federal Register* Notice, "Allocations, Common Application, Waivers, and Alternative Requirements for 2017 Disaster Community Development Block Grant Disaster Recovery Grantees," 83 FR 5844 (as now in effect and as may be modified from time to time). The grantee agrees to comply with this Notice and any future *Federal Register* Notices that HUD publishes that apply to CDBG-DR grants under Public Law 115-56. These *Federal Register* notices impose waivers and alternative requirements and implement the requirements on the use of the CDBG-DR funds in Public Laws 115-56, 115-72, 115-123, and 115-141. Future *Federal Register* notices will apply prospectively from their applicability date, and to costs reimbursed from the grant after their applicability date, as provided in the notices and in paragraph 4.
4. The period of performance for this grant begins on *[enter date HUD signed the original HUD 7082 funding approval/agreement]*, and ends on *[6 years after HUD's execution of the grant agreement]*, unless HUD publishes an alternative period of performance in an applicable Federal Register notice. All grant funds must be expended by the end of the period of performance. Grantee may charge costs dating back to the incident date of the covered disaster (Disaster No. 4336 – September 5, 2017; Disaster No. 4339 – September 17, 2017) as permitted in the Federal Register notices referenced in paragraph 3.

5. Policies and Procedures. HUD has determined specific risks associated with this grant and therefore sets forth the following additional grant terms for the grantee. The grantee shall develop and maintain policies and procedures. The policies and procedures shall outline each program, eligible activities, required records management, procurement requirements, subrecipient oversight, technical assistance, monitoring procedures, cost allocation methodology, the timely expenditure of funds, and include a plan for training subrecipients on all federal and state CDBG-DR requirements. The policies and procedures shall be submitted to HUD within 30 days of the date of this agreement or prior to awarding funds to subrecipients, whichever is later.

6. Staffing. HUD has determined specific risks associated with this grant and therefore sets forth the following additional grant terms for the grantee. The grantee must continue to secure staff and contractors as identified in the Puerto Rico DR Staffing Analysis Worksheet (as of July 20, 2018) submitted by grantee. These positions are deemed critical for launch of the housing recovery program, which is the primary program in the grantee's approved action plan. As such, the grantee must advertise and secure the following positions within 90 days of execution of the grant agreement for these funds: CDBG Director Operations; Deputy Director Regulations and Compliance or Regulation Compliance Manager or Compliance Manager; Information Technology Specialist; Payer Manager; Accounts Payable Specialist; Director Monitoring and Compliance and at least one additional Permit & Environmental Compliance Manager. Eighty percent of the grantee's CDBG-DR funds budgeted for housing will remain in restricted balance until the Department receives evidence that the positions have been advertised and filled.

7. For ease of administration, the following requirements of the February 9, 2018, *Federal Register* notice are highlighted:

- The grantee may not expend more than 5 percent of the grant plus program income for administration and technical assistance.
- The grantee is limited to spending a maximum of 15 percent of the total grant amount on planning costs.
-
- The grantee must expend not less than 70 percent of the grant award plus program income, less administration and planning expenditures, on activities that benefit low- and moderate-income persons, as that defined in the August 14, 2018, *Federal Register* notice.

8. Public Laws 115-72, 115-123, and 115-141 impose additional requirements on the use of funds made available by Public Law 115-56, and therefore, the grantee agrees to adhere to the following requirements on the use of grant funds:

- Additional requirements for the comprehensive disaster recovery website. The February 9, 2018, *Federal Register* notice requires all grantees to maintain a comprehensive disaster recovery website. In addition to the website content described in the February 9, 2018, notice, grantees must maintain information containing common

reporting criteria established by the Department that permits individuals and entities awaiting assistance and the general public to see how all grant funds are used, including copies of all relevant procurement documents, grantee administrative contracts and details of ongoing procurement processes, as determined by the Secretary. HUD will post guidance related to this requirement on the HUD exchange website.

- Underwriting. CDBG funds may not be provided to a for-profit entity pursuant to section 105(a)(17) of the Act unless such activity or project has been evaluated and selected in accordance with Appendix A to 24 CFR 570 - "Guidelines and Objectives for Evaluating Project Costs and Financial Requirements."
- Limitation on use of funds for eminent domain. The grantee shall ensure that no CDBG funds are used to support any Federal, State, or local projects that seek to use the power of eminent domain, unless eminent domain is employed only for a public use. For the purposes of this requirement, public use shall not be construed to include economic development that primarily benefits private entities. Any use of funds for mass transit, railroad, airport, seaport or highway projects as well as utility projects which benefit or serve the general public (including energy-related, communication-related, water-related and wastewater-related infrastructure), other structures designated for use by the general public or which have other common-carrier or public-utility functions that serve the general public and are subject to regulation and oversight by the government, and projects for the removal of an immediate threat to public health and safety or brownfield as defined in the Small Business Liability Relief and Brownfields Revitalization Act (Public Law 107-118) shall be considered a public use for purposes of eminent domain.

9. The Recipient shall attach a schedule of its indirect cost rate(s) in the format set forth below to the executed Agreement that is returned to HUD. The Recipient shall provide HUD with a revised schedule when any change is made to the rate(s) described in the schedule. The schedule and any revisions HUD receives from the Recipient shall be incorporated herein and made a part of this Agreement, provided that the rate(s) described comply with 2 CFR part 200, subpart E.

<u>Administering Department/Agency</u>	<u>Indirect cost rate</u>	<u>Direct Cost Base</u>
_____	_____ %	_____
_____	_____ %	_____
_____	_____ %	_____
_____	_____ %	_____
_____	_____ %	_____

Instructions: The Recipient must identify each agency or department of the Recipient that will carry out activities under the grant, the indirect cost rate applicable to each department/agency (including if the de minimis rate is used per 2 CFR §200.414(f)), and the type of direct cost base to which the rate will be applied (for example, Modified Total Direct Costs (MTDC)). Do not include indirect cost rates for subrecipients.

10. In addition to the conditions contained on form HUD 7082, the grantee shall comply with requirements established by the Office of Management and Budget (OMB) concerning the Dun and Bradstreet Data Universal Numbering System (DUNS), the System for Award Management (SAM.gov), and the Federal Funding Accountability and Transparency Act as provided in 2 CFR part 25, Universal Identifier and Central Contractor Registration, and 2 CFR part 170, Reporting Subaward and Executive Compensation Information.