Using a Subrecipient Organization to Implement a CDBG-funded Project

Washington State Community Development Block Grant (CDBG) funds are awarded only to eligible cities, towns and counties. However, it is not uncommon for these local government jurisdictions to partner with a local organization to apply for and implement a CDBG-funded project. In these situations, the CDBG Program refers to the local government as the grantee jurisdiction and the organization as the grant subrecipient.

A subrecipient is a non-profit agency, special purpose district or organization that is provided CDBG funds by a CDBG grantee for their use in carrying out agreed-upon, eligible activities. The subrecipient is accountable to the CDBG grantee, having administrative or other responsibilities.

A subrecipient differs from a contractor. A contractor is selected through a competitive procurement process and is paid CDBG funds by the grantee in compensation for specific services. The procurement process tends to be more rigorous for contractors, while administrative and monitoring requirements tend to be greater for subrecipients. The subrecipient is subject to the same administrative requirements as those described in the CDBG Management Handbook for the grantee, while these requirements are generally inapplicable to contractors.

Before establishing a subrecipient relationship, a local government should consider the following:

- Can the organization document its non-profit status is in good standing?
- Confirm the organization is not on the federal list of debarred/suspended contractors at: www.epis.gov.

The organization’s project management capacity – If funded, the subrecipient will most likely take the lead in managing the design and construction of a project.

- Is this project the organization’s first experience in construction management, especially a federally funded project that involves special procurement and labor standards requirements?
- Does the organization have the financial management capacity to manage a large federal grant and meet the applicable audit requirements?
- Do the jurisdiction and the organization have a good working relationship to successfully coordinate grant administration and implementation?
- Is the organization on the federal list of debarred or suspended contractors at www.epis.gov?

The organization’s operations management capacity – If funded, it is often the subrecipient’s role to operate and manage the facility or program for at least 10 years from the contract closeout date.

- Can the organization ensure the viability of the facility for at least 10 years?
- Does the organization have experience operating and managing a facility or program?
- Does the organization have a thorough and realistic operations plan and budget?

Program Income

Program income is defined as the gross income received by a CDBG grantee or subrecipient that was generated from the use of CDBG funds and that equals or exceeds $35,000 in a single calendar year. Records on program income received and expended must be maintained by the subrecipient and jurisdiction, and reported annually to Commerce if the total amount of program income received in a single year equals or exceeds $35,000.

- Are the jurisdiction and subrecipient willing and able to coordinate and administer these long-term reporting requirements?
Change in Use

If a facility or land is acquired or improved with CDBG funds and there is a proposed change in use of the property, the federal Change of Use regulations [24 CFR 570.489(j)] must be followed for the first ten years. In some cases, the ownership of the property must be transferred from the subrecipient to the jurisdiction. If the proposed change does not meet the standards of these regulations, the CDBG Program must be reimbursed.

➢ Are the jurisdiction and subrecipient willing and able to establish a long-term agreement regarding the use of the CDBG acquired or improved property?

Subrecipient Agreement

If funded, the jurisdiction and subrecipient organization must establish a legal document that outlines the roles and responsibilities of the parties in regard to the CDBG-funded project and requirements. The CDBG Management Handbook provides guidance in establishing a Subrecipient Agreement, which must include the following at a minimum:

- Operating Budget
- Scope of Service
- Intended Beneficiaries
- Method of Payment
- Performance Schedule
- Termination Clause
  -- General CDBG Compliance, including the requirements of Title 24 CFR Part 570
  -- Title VI of the Civil Rights Act of 1964 Clause
  -- Access to Records Clause
  -- Section 109 Clause
  -- Age Discrimination Act of 1975, as Amended Clause
  -- Section 504 of the Rehabilitation Act of 1973, as Amended Clause
  -- Conflict of Interest Provision
  -- Annual Audit Requirement Clause, referencing 2 CFR 200.501, if applicable
  -- Davis Bacon, if applicable
  -- Section 3 of the Housing and Community Development Act of 1968 (Attachment 18-B), for contracts over $100,000
- Monitoring and Evaluation Criteria
- Record Keeping
- Insurance Requirements
- Program Income Requirements, if applicable
- Disposition of Property, if applicable
- Indemnification Clause
- Use and Reversion of Assets (2 CFR 200.311 and 313 and 24 CFR 570)

The jurisdiction must conduct an onsite monitoring of its subrecipient.