



CDBG (Community Development Block Grant)

CDBG Entitlement Program Eligibility Requirements

The Community Development Block Grant (CDBG) Entitlement Program provides annual grants on a formula basis to entitled cities and counties to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low- and moderate-income persons.

HUD awards grants to entitlement community grantees (cities) to carry out a wide range of community development activities directed toward revitalizing neighborhoods, economic development, and providing improved community facilities and services.

Entitlement communities develop their own programs and funding priorities. However, grantees must give maximum feasible priority to activities which benefit low- and moderate-income persons. A grantee may also carry out activities which aid in the prevention or elimination of slums or blight. Additionally, grantees may fund activities when the grantee certifies that the activities meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available to meet such needs. **CDBG funds may not be used for activities which do not meet one of these national objectives.**

Funds are primarily used to provide decent housing, a suitable living environment and expanding economic opportunities in our community while meeting one of the three National Objectives of the program:

1. Provide benefit to LOW-and-MODERATE INCOME PERSONS. (Not less than 70% of all program expenditures.)
2. Prevent or eliminate SLUM or BLIGHT.
3. Meet community needs having a particular URGENCY.

Eligible CDBG Activities

Acquisition of Real Property	Removal of Architectural Barriers
Disposition	Housing Rehabilitation
Public Facilities & Improvements	New Housing Construction
Privately-Owned Utilities	Code Enforcement
Clearance (Demolition)	Historic Preservation
Public Services (15% limitation of annual CDBG allocation)	Commercial/Industrial Rehabilitation
Interim Assistance	Special Economic Development
Relocation	Special Sub-recipient Activities
Loss of Rental Income	Program Planning & Administration (20% limitation of annual CDBG allocation)

Generally, the following types of activities are ineligible:

- ✓ Acquisition, construction, or reconstruction of buildings for the general conduct of government
- ✓ Political activities
- ✓ Certain income payments
- ✓ Construction of new housing (with some exceptions)

Eligible Beneficiaries

Over a 1, 2, or 3-year period, as selected by the grantee, not less than 70 percent of CDBG funds must be used for activities that benefit low- and moderate-income persons.

CDBG PUBLIC SERVICES

(15% Limitation of Annual CDBG Allocation)

CDBG funds may be used to provide public services (including labor, supplies, and materials) to internal city departments and/or local non-profit organizations provided that the public services meet a national objective of the CDBG program and provided that the public service be either:

- ✓ A new service; or
- ✓ A quantifiable increase in the level of a service

which has been provided by local non-profits or on behalf of the unit of general local government (through funds raised by such unit, or received by such unit from the State in which it is located) during the 12 months prior to submission of the application for funding.

Public Services include, but are not limited to:

Child Care	Health Care
Job Training	Recreation Programs
Education Programs	Fair Housing Activities
Senior Services	Homeless Services
Drug Abuse Counseling & Treatment	Public Safety Services
Energy Conservation Counseling & Testing	

Public Services also include the cost of operating and maintaining that portion of a facility in which a service is located.

Public services do not include:

- ✓ Political Activities;
- ✓ Payments to individuals for their food, clothing, rent, utilities, or other income payments;
- ✓ The following activities that may be eligible under other CDBG categories - relocation services, rehabilitation services, services carried out as emergency assistance, and planning or administrative activities.

CDBG Public Facilities and Improvement

Grantees (cities) may use funds to undertake a variety of public facilities and public improvement projects. In general, public facilities and public improvements are interpreted to include all facilities and improvements that are publicly owned, or that are owned by a nonprofit and open to the general public.

Eligible Activities

- ✓ The acquisition, construction, reconstruction, rehabilitation, or installation of public facilities and improvements are eligible activities under CDBG and can be carried out by a grantee, sub-recipient, or other nonprofit. Public facilities may only be owned by these types of entities.
- ✓ Eligible types of facilities and improvements include: – Infrastructure improvements (construction or installation) including, but not limited to streets, curbs, and water and sewer lines; – Neighborhood facilities including, but not limited to public schools, libraries, recreational facilities, parks, playgrounds; and – Facilities for persons with special needs such as facilities for the homeless or domestic violence shelters, nursing homes, or group homes for the disabled.
- ✓ Eligible costs associated with eligible activities may include: – Energy efficiency improvements; – Handicapped accessibility improvements (including improvements to buildings used for general conduct of government); and – Architectural design features and other treatments aimed at improving aesthetic quality (e.g., sculptures, fountains).
- ✓ If the assisted facility is owned by a nonprofit, the CDBG regulations stipulate that the facility must be open to the public during normal working hours.

Ineligible Public Facilities and Improvement Activities

- ✓ The maintenance and repair of public facilities and improvements is generally ineligible (e.g., filling potholes, repairing cracks in sidewalks, mowing grass at public recreational areas or replacing street light bulbs).
- ✓ Operating costs associated with public facilities or improvements are ineligible unless part of a CDBG-assisted public service activity or eligible as an interim assistance activity.

- ✓ A public facility otherwise eligible for assistance under the CDBG program may be assisted with CDBG funds even if it is part of a multiple use building containing ineligible uses, if:
 - The public portion of the facility that is otherwise eligible and proposed for assistance will occupy a designated and discrete area within the larger facility; and
 - The grantee can determine the costs attributable to the facility proposed for assistance as separate and distinct from the overall costs of the multiple-use building and/or facility. Allowable costs are limited to those attributable to the eligible portion of the building or facility.

CDBG Special Economic Development Projects

Creating economic opportunities and jobs are among the key CDBG activities funded by many states. This section highlights the ways that economic development projects can be funded under CDBG.

Eligible Activities

Special economic development. CDBG funds may be used to undertake certain economic development activities. These activities include:

- ✓ Acquiring, constructing, reconstructing, rehabilitating, or installing commercial or industrial buildings, structures, and other real property equipment and improvements, including railroad spurs or similar extensions.
- ✓ Assisting a private, for-profit business. Assistance may include grants, loans, loan guarantees, and technical assistance; and
- ✓ Providing economic development services in connection with otherwise eligible CDBG economic development activities.

Economic development undertaken by community-based development organizations (CBDOs). These are activities designed to assist in neighborhood revitalization or community economic development and are carried out by an organization that qualifies as a CBDO under the regulations at 24 CFR Part 570.204.

- ✓ In addition to meeting one of the organizational types listed above, the entity must be carrying out neighborhood revitalization, community economic development or energy conservation projects.

Technical assistance to businesses. This activity involves providing technical assistance and training directly to businesses on topics such as business planning or accounting. This activity may be undertaken under several different eligibility categories, assuming that the activity will meet a national objective:

- ✓ As a part of a special economic development project;
- ✓ To the owner of a microenterprise;
- ✓ As a public service; and
- ✓ By a CBDO as a part of an eligible project.

Microenterprise development. These are activities designed to foster the development, support, and expansion of microenterprise businesses.

- ✓ A microenterprise is defined as a commercial enterprise that has five or fewer employees, one or more of whom owns the enterprise.
- ✓ Eligible microenterprise activities include the provision of:
 - Grants, loans, loan guarantees and other forms of financial support, for the establishment, stabilization, and expansion of microenterprises;
 - Technical assistance, advice, and business services to owners of microenterprises and persons developing microenterprises;
 - General support to owners of microenterprises and persons developing microenterprises including child care, transportation, counseling and peer support groups; and
 - Training and technical assistance or other support services to increase capacity of states or subgrantees to carry out microenterprise activities.

NOTE: Any job training CDBG activities must be linked to a permanent job -- a job, which upon completion of the training, will be filled by the trainee.

Commercial rehabilitation. These are activities that are designed to bring commercial structures up to code or improve their facades.

- ✓ If the commercial structure is owned by a private, for-profit entity, the following limitations apply:
 - Rehabilitation is limited to the exterior of the building and the correction of code violations; and
 - Any other improvements are carried out under the special economic development activities category discussed above.

Ineligible Economic Development Activities

- ✓ Activities not described above are generally ineligible; however, Community Based Development Organizations (CBDOs) can undertake many otherwise ineligible activities when they retain direct and controlling involvement in a qualified project.

The following restrictions apply when a CBDO undertakes an activity:

- ✓ CBDOs may not carry out otherwise ineligible activities (i.e., general government buildings or expenses, or political activities); and
- ✓ CBDOs cannot carry out special economic development activities that do not meet the grantee's underwriting guidelines for such projects and HUD's mandatory public benefit standards.
- ✓ CBDOs are authorized to carry out public services that exceed the 15 percent public services cap when the services are specifically designed to increase economic opportunities through employment support services such as counseling, child care, transportation, and similar services, and job training that is linked to job placement.
- ✓ CBDOs may also provide public services of any type outside of the public services cap if the services are undertaken as part of a HUD-approved Neighborhood Revitalization Strategy Area (NRSA).
- ✓ CBDOs may not carry out program administration or planning activities that would result in the grantee exceeding the 20 percent limit on such expenditures.

- ✓ Job pirating is prohibited under Section 588 of the Quality Housing and Work Responsibility Act of 1998. Job pirating refers to the use of federal funds to lure or attract a business and its jobs from one labor market to another.
- ✓ CDBG funds may not be used to assist for-profit businesses, including expansions, as well as infrastructure improvement projects or business incubator projects designed to facilitate business relocation IF:
 - The funding will be used to assist directly in the *relocation* of a plant, facility or operation; and
 - The relocation is likely to result in a significant loss of jobs in the labor market area from which the relocation occurs.
 - The following are definitions to assist in determining if a business location falls under these provisions:
 - Labor Market Area (LMA): An LMA is an economically integrated geographic area where individuals can live and work within a reasonable distance or can readily change employment without changing their place of residence.
 - Operation: A business operation includes, but is not limited to, any equipment, production capacity or product line of the business.
 - Significant Loss of Jobs:
 - A loss of jobs is significant if:
 - The number of jobs to be lost in the LMA in which the affected business is currently located is equal to or greater than one-tenth of one percent of the total number of persons in the labor force of that LMA;
 - OR in all cases
 - A loss of 500 or more jobs.
 - A job is considered to be lost due to the provision of CDBG assistance if the job is relocated within three years of the provision of assistance to the business.

Notwithstanding the above definition, a loss of 25 jobs or fewer does not constitute a significant loss of jobs.



HOME (HOME Investment Partnerships Program)

The HOME program is designed to:

- 1) Expand the supply of decent, safe, sanitary, and affordable housing for very-low income and low-income Americans;
- 2) Mobilize and strengthen the abilities of states and units of local government to design and implement strategies for achieving an adequate supply of affordable housing; and,
- 3) Provide participating jurisdictions with various forms of federal housing assistance to achieve program goals.

(Minimum 25% Local Match Requirement)

Eligible Activities

HOME funds may be used to provide incentives to develop and support affordable rental housing and homeownership affordability through:

Acquisition

New Construction

Reconstruction

Moderate or Substantial Rehabilitation

Tenant-Based Rental Assistance

Security Deposits

Administration and Planning

Community Housing Development Organization (CHDO) Operating Expenses