

**DEPARTMENT OF NEIGHBORHOOD AND BUSINESS DEVELOPMENT
OFFICE OF THE COMMISSIONER
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM BASICS**

CDBG Program Overview

The Community Development Block Grant (CDBG) program authority began under Title 1 of the Housing and Community Development Act of 1974. This Act consolidated eight categorical grant programs including Open Space, urban Renewal, Neighborhood Development Programs, Historic Preservation, Model Cities supplemental, and Neighborhood Facilities, Water and Sewer and Public Facilities loans.

The Title 1 Housing and Community Development Act of 1974 objective is to develop viable urban communities that provide decent, safe and sanitary housing, a suitable living environment and expanded economic opportunities primarily for persons of low and moderate income. The U.S. Department of Housing and Urban Development (HUD) administers the CDBG program and provides funds, or grants, to state and local governments, or grantees or recipients.

To receive funds, grantees or recipients must meet the requirements established by CDBG regulations prior to funding any activity. There requirements include.

- The proposed activity meets one of the three national objectives.
- The proposed activity is an eligible activity.
- The proposed activity is not considered a clearly ineligible activity.
- The proposed activity contributes to the CDBG 70 percent minimum threshold for activity expenditures that benefit low-and moderate –income persons.

The City of Rochester participates in the CDBG program as an Entitlement Community and receives funds each year directly from HUD. The City of Rochester, Department of Neighborhood and Business Development administers the program.

National Objectives

Meeting a National Objective

Every CDBG-funded activity must qualify as meeting one of HUD's three national objectives (with the exception of administration and planning). The criteria to determine whether a CDBG-assisted activity complies with one or more of the national objectives are listed under 24 CFR 570.208. The three national objectives include:

- Benefiting low- and moderate-income (L/M) persons,
- Preventing or eliminating slums and blight, or
- Meeting urgent community development needs.

The national objectives have various subcategories.

L/M Income

- Area Benefit
- Limited Clientele
- Housing
- Jobs

Slum/Blight

- Area Basis
- Spot Basis
- Urban Renewal

Urgent Need

CDBG spending must also meet HUD's "overall benefit" requirements, including:

1. At least 70 percent of grant funds must be used for activities principally benefiting L/M income persons.
2. No more than 15 percent of grant funds can be used for Public Service activities.
3. No more than 20 percent of grant funds can be used for Planning and/or Admin.

Benefiting Low and Moderate (L/M) Income Persons

L/M Income Persons' Definition

An L/M person is defined as a family or individual whose income is not more than 80 percent of the median income of an area (Rochester metropolitan area). This median income figure is determined by HUD based on a 4- person family and is adjusted up or down for larger/smaller families.

The criteria for how a CDBG-funded activity may be considered to benefit L/M income persons are divided into four subcategories:

- Those based on "Area Benefit"
- Those serving a "Limited Clientele"
- Those involving "Housing," and
- Those involving "Employment" (jobs).

L/M Income Area Benefit

An activity that meets the L/M income national objective on an area basis must demonstrate that it is available to all the residents in a primary residential area. At least 51 percent of the residents in that area must be L/M income persons. The area by an activity must be clearly defined by survey, or by census information can document compliance with the 51 percent test. HUD has pre-determined which 2000 Census Blocks meet this test.

Typical Area Benefit Activities

Street Improvements
Water and Sewer Lines,
Neighborhood Facilities

L/M Income Limited Clientele

An activity that meets the L/M Income national objective on a limited clientele basis must provide benefits to a specific population of whom at least 51 percent are L/M income persons. An activity under Limited Clientele must meet one of the following:

1. The clientele are “presumed” by HUD to be L/M income persons, including abused children, elderly persons, battered spouses, homeless persons, severely disabled adults, illiterate adults, persons with AIDS, and migrant farm workers.
2. The clientele demonstrates, based on information showing family size and income, that at least 51 percent are L/M income persons.
3. The clientele can demonstrate that by such nature or location, the activity primarily benefits L/M income persons (i.e. daycare center within a public housing complex).
4. The activity service to remove architectural barriers to the mobility or accessibility of elderly persons or of severely disabled adults.

Typical Limited Clientele Activities

Construction of a Senior Center,
Public Services to L/M income person,
Meals on Wheels for the Elderly

L/M Income Housing

An activity that meets the L/M Income national objective on a housing basis must demonstrate that the housing is occupied by L/M income persons. If more than a single unit structure, at least 51 percent of the households must be L/M income persons (the single unit households must be L/M income).

Note: CDBG funds cannot be used for new construction, but it can be used for land acquisition with new construction projects.

Typical Housing Activities

Housing Rehabilitation
Hookups to Connect Houses to Water and Sewer,
Acquisition of Property for New Housing

L/M Income Employment

An activity that meets the L/M income national based on employment must demonstrate the permanent jobs are created or retained. At least 51 percent of those jobs, on FTE basis, must be either held by or available to L/M income persons.

A job is to be “held by” an L/M income person if the person is, at the time their employment commences, a member of a L/M income family. A job is “available to” a L/M income person only when: (1) the jobs do not require special skills nor require education beyond high school, and (2) the business takes actions to ensure that L/M income persons receive first consideration for filling such jobs.

Typical Employment Activities

Construction of a Business Incubator,
Loans to Finance a Business Expansion,
Installation of Water and Sewer to an Industrial Site

Preventing or Eliminating Slums and Blight

The criteria for how a CDBG-funded activity may qualify for the Preventing or Eliminating Slums and Blight national objective are divided into three subcategories:

- To prevent or eliminate slums and blight on an “Area Basis,”
- To prevent and eliminate slums and blight on a “Spot Basis”, or
- To be located in an “Urban Renewal Area.”

Elimination of Slums and Blight Area Basis

An activity that meets the elimination of slums and blight national objective on an area basis must demonstrate that the activity aids in the prevention or elimination of slums or blight in a designated area. An activity under an area basis must meet all of the following:

1. The delineated area must meet a definition of slum, blight, deteriorated or deteriorating area under state or local law.
2. There also must be a substantial number of deteriorated or deteriorating buildings or public improvements in the area, and the activity must address one or more of the conditions which contributed the deterioration of the area.
3. Documentation must be maintained by the recipient on the boundaries of the area and the conditions that qualified the area at the time of its designation.

Typical Area Basis Activities

Assistance to Commercial or Industrial Businesses,
Public Facilities or Improvements,
Code Enforcement

Note: When undertaking residential rehab in a slum/blight area, the building must be considered substandard under local definition and all deficiencies making the building substandard must be eliminated before less critical work is undertaken.

Elimination of Slums and Blight Spot Basis

An activity that meets the elimination of slums and blight national objective on a spot basis must demonstrate that activities which to eliminate specific conditions of blight or physical decay are not located in a slum or blighted area. An activity under a spot basis must comply with one of the following:

1. Only acquisition, clearance, relocation, historic preservation and building rehabilitation activities qualify for this national objective.
2. Rehabilitation if limited to the extent necessary to eliminate a specific condition detrimental to public health and safety.

Typical Spot Basis Activities

Elimination of Faulty Wiring, Falling Plaster or Other Similar Conditions,
Historic Preservation of a Public Facility,
Demolition of a Vacant, Deteriorated Building

Elimination of Slums and Blight Urban Renewal Area

An activity that meets the elimination of slums and blight national objective in a an Urban Renewal area are activities that are (1) located within an Urban Renewal project area or Neighborhood Development Program (NPD) action area, and (2) which are necessary to complete an Urban Renewal Plan. A copy of the Urban Renewal Plan in effect at the time the CDBG activity is carried out, including maps and supporting documentation must be maintained for record-keeping purposes.

Meeting Urgent Community Development Needs

Meeting the urgent community development needs national objective is designed for activities that alleviate emergency conditions. Use of this category is rare. The criteria for how a CDBG-funded activity may be considered an urgent community development need are as follows:

- The existing conditions must pose a serious and immediate threat to the health or welfare of the community.
- The existing conditions are of recent origin or recently became urgent (generally, within the past 10 months).
- The recipient is unable to finance the activity on its own.
- Other sources of funding are not available.

Typical Urgent Need Activities

A Tornado Severely Damages Structures Which Pose Danger to
Neighboring Occupants

Eligible Requirements

Basic eligible activities funded through Community Development Block Grant (CDBG) funds are listed under Subpart C, 570.201. CDBG funds may be used for the following activities:

Real Property

- Acquisition
- Disposition
- Public Facilities & Improvement
- Clearance & Demolition
- Interim Assistance
- Urban Renewal
- HOME Program Activities
- Privately-owned utilities
- Housing Construction
- Homeownership Assistance
- Rehabilitation
- Code Enforcement
- Historic Preservation
- Renovation of Closed Buildings
- Lead Paint Testing & Abatement

Economic Development

- Microenterprise
- Special Economic Development Activities

Public Services

- Employment Training & Services
- Health Care & Substance Abuse Services
- Child Care
- Crime Prevention
- Fair Housing Counseling

Other Activities

- Payment of Non-Federal Grants
- Relocation Assistance
- Loss of Rental Income
- Technical Assistance
- Assistance Education for Eligible Activities

Planning and Administration

- Comprehensive Plans
- Community Development Plans
- Functional and Other Plans

- Policy-planning & Capacity Building
- Program Admin Costs

Definitions of Eligible Activities

Acquisition

Acquisition occurs in whole or in part by any public or private nonprofit entity. The purchase, long-term lease, donation, or otherwise, of real property (including air rights, water rights, rights-of-way, easements, and other interests therein) for any public purpose, is subject to the limitations of 24 CFR 570.207.

Disposition

Disposition, through sale, lease, donation, or otherwise, of any real property acquired with CDBG funds. Disposition includes reasonable costs of temporarily managing such property. The proceeds from any such disposition shall be program income subject to the requirements set forth in 24 CFR 570.504.

Public Facilities and Improvements

Acquisition, construction, reconstruction, rehabilitation or installation of public facilities and improvements, except as provided in 24 CFR 570.207(a), carried out by the recipient or other public or private nonprofit entities. (However, activities under this paragraph may be directed to the removal of material and architectural barriers that restrict the mobility and accessibility of elderly or severely disabled persons to public facilities and improvements, including those provided for in 24 CFR 570.207(a)(1).) Facilities designed for use in providing shelter for persons having special needs are considered public facilities and not subject to the prohibition of new housing construction described in 24 CFR 570.207(b)(3).

Clearance Activities

Activities include clearance, demolition, and removal of buildings and improvements, including movement of structures to other sites. Demolition of HUD-assisted housing units may be undertaken only with the prior approval of HUD. Under this category, CDBG funds may also be used for the removal of environmental contaminants or treatment of such contaminants to render them harmless.

Public Services

Provision of public services (including labor, supplies, and materials) including but not limited to those concerned with employment, crime prevention, child care, health, drug abuse, education, fair housing counseling, energy conservation, welfare (but excluding the provision of income payments identified under 24 CFR 570.207(b)(4)), homebuyer down payment assistance, or recreational needs. To be eligible for CDBG assistance, a public service must be either a new service or a quantifiable increase in the level of an existing service above that which has been provided by or on behalf of the unit of general local government (through funds raised by the unit or received by the unit from the State in which it is located) in the 12 calendar months before the submission of the action plan.

Interim Assistance

The following activities may be undertaken on an interim basis in areas exhibiting objectively determinable signs of physical deterioration where the recipient has determined that immediate action is necessary to arrest the deterioration and the permanent improvements will be carried out as soon as practicable:

- I. The repairing of streets, sidewalks, parks, playgrounds, publicly owned utilities, and public buildings; and
- II. The execution of special garbage, trash, and debris removal, including neighborhood cleanup campaigns, but not the regular curbside collection of garbage or trash in an area.

Payment of Non-Federal Share

Payment of the non-Federal share required in connection with a Federal grant-in-aid program undertaken as part of CDBG activities, provided, that such payment shall be limited to activities otherwise eligible and in compliance with applicable requirements.

Urban Renewal Completion

Payment of the cost of completing an urban renewal project funded under Title I of the Housing Act of 1949 as amended.

Relocation

Relocation payments and other assistance for permanently and temporarily relocated individuals, families, businesses, nonprofit organization, and farm operations where the assistance is:

- I. Required under the provisions of 24 CFR 570.606(b) or (c); or
- II. Determined by the grantee to be appropriate under the provisions of 24 CFR 570.606(d).

Loss of Rental Income

Payments to housing owners for losses of rental income incurred in holding, for temporary periods, housing units to be used for the relocation of individuals and families displaced by program activities assisted under this part.

Housing Services

Housing counseling in connection with tenant-based rental assistance and affordable housing projects including energy auditing, preparation of work specifications, loan processing, inspections, tenant selection, management of tenant-based rental assistance, and other services related to assisting owners, tenants, contractors, and other entities participating or seeking to participate in housing activities assisted under Title II of the Cranston-Gonzalez National Affordable Housing Act.

Privately Owned Utilities

CDBG funds may be used to acquire, construct, reconstruct, rehabilitate, or install the distribution lines and facilities of privately owned utilities, including the placing underground of new or existing distribution facilities and lines.

Construction of Housing

CDBG funds may only be used in certain specified circumstances to finance the construction of new permanent residential structures. CDBG funds may be used to construct housing of last resort as suitable replacement housing, subject to the Uniform Act. In addition, CDBG may be used by a qualified Community Based Development Organization (CBDO) to construct new housing within a duly designated geographic area for purposes of neighborhood revitalization.

Homeownership Assistance

CDBG funds may be used to provide direct homeownership assistance to low- or moderate-income households in accordance with section 105(a) of the Act.

Microenterprise Assistance

The provision of assistance either through the recipient directly or through public and private organizations, agencies, and other subrecipients (including nonprofit and for-profit subrecipients) to facilitate economic development by:

- I. Providing credit, including, but not limited to, grants, loans, loans guarantees, and other forms of financial support, for the establishment, stabilization, and expansion of microenterprises;
- II. Providing technical assistance, advice, and business support services to owners of microenterprises and persons developing microenterprises; and
- III. Providing general support, including, but not limited to, peer support programs, counseling, child care, transportation, and other similar services, to owners of microenterprises and person developing microenterprises.

Technical Assistance

Provision of technical assistance to public or nonprofit entities to increase the capacity of such entities to carry out eligible neighborhood revitalization or economic development activities. Capacity building for private or public entities (including grantees) for other purposes may be eligible under 24 CFR 570.205.

Assistance to institutions of Higher Education

Provision of assistance by the recipient to institutions of higher education when the grantee determines that such an institution has demonstrated a capacity to carry out eligible activities.

Planning

Planning and capacity-building activities are generally eligible. These can include strategies and action programs to implement plans, including the development of codes, ordinances, and regulations. Plans that help the City determine its needs, set long- and short- term goals and objectives, devise programs to meet the objectives, and evaluate the progress of document, such as a adopted City Housing Maintenance code. Planning activities do not include the actual costs of putting a plan into action; for example, the legal costs associated with enforcement of a Housing Maintenance Code would not be eligible as the cost of a planning activity.

Ineligible Activities

Any activity that is not authorized under the provisions of 24 CFR 570.201 to 570.206 is ineligible to be assisted with CDBG funds. This section identifies specific activities that are ineligible and provides guidance is determined the eligibility of other activities frequently associated with housing and community development. The following table lists the types of ineligible CDBG funded activities.

CDBG Ineligible Activity Categories

CDBG Ineligible Activities	
Activities Not Assisted with CDBG Funds	Activities Not Assisted with CDBG funds Unless Authorized
Buildings for the general conduct of government	Purchase of fire protection or construction equipment, furnishings and personal property
General government expenses	Operating and maintenance expenses
Political activities	
New Housing Construction	
Income Payments	

The following activities may not be assisted with CDBG funds:

Building or Portions Thereof

Building or portions thereof, used for the general conduct of government as defined at 24 CFR 570.3(d) cannot be assisted with CDBG funds. This does not include, however, the removal of architectural barriers under 24 CFR 570.201 involving any such building. Also, where acquisition of real property includes an existing improvement which is to be used for the general conduct of government, the portion of the acquisition cost attributable to the lands is eligible, provided such acquisition meets a national objective described in 24 CFR 570.208.

General Government Expenses

Expenses required to carry out the regular responsibilities of local government are not eligible for assistance with CDBG funds, except as specifically authorized under OMB Circular A-87.

Political Activities

CDBG funds shall not be used to finance the use of facilities or equipment for political purposes or to engage in other partisan political activities, such as candidate forums, voter transportation, or voter registration. However, a facility originally assisted with CDBG funds may be used on an incidental basis to hold political meetings, candidate forums, or voter registration campaigns, provided that all parties and organizations have access to the facility on an equal basis, and assessed equal rent or use charges, if any.

The following activities may not be assisted with CDBG funds unless authorized under provisions of 24 CFR 570.203 or unless specifically noted or when carried out by an entity under provisions of 24 CFR 570.204.

Purchase of Equipment

The purchase of construction equipment, furnishings and personal property with CDBG funds is generally ineligible. The purchase of construction equipment is ineligible, but compensation for the use of such equipment through leasing, depreciation, or use allowances pursuant to OMB Circulars A-21, A-87 or A-122 as applicable for an otherwise eligible activity is an eligible use of CDBG funds. However, the purchase of construction equipment for use as part of a solid waste disposal facility is eligible under 570.201(c).

Operating and Maintenance Expenses

The general rule is that any expense associated with repairing, operating and maintaining public facilities, improvements and services is ineligible. Specific exceptions to this general rule are operating and maintenance expenses associated with public service activities, interim assistance, and office space for program staff employed in carrying out the CDBG program. For example, the use of CDBG funds to pay the allocable costs of operating and maintaining a facility used in providing a public service would be eligible under 24 CFR 570.201(e), even if no other costs of providing such a service are assisted with such funds.

New Housing Construction

For the purpose of this paragraph, activities in support of the development of low- or moderate-income housing including clearance, site assemblage, provision of site improvements and provision of public improvements and certain housing pre-construction costs set forth in 24 CFR 570.206(g), are not considered as activities to subsidize or assist new residential construction. CDBG funds may not be used for the construction of new permanent residential structures or for any program to subsidize or assist such new construction, with some exceptions noted in 24 CFR 570.207(b)(3).

Income Payments

The general rule is the CDBG funds may not be used for income payments. For purposes of the CDBG program, "income payments" means a series of subsistence-type grant payments made to an individual or family for items such as food, clothing, housing (rent or mortgage), or utilities, but excludes emergency grant payments made over a period of up to three consecutive months to the provider of such items or services on behalf of an individual or family.⁷ Using CDBG for relocation assistance is not considered to be income payments under this definition.

Steps to Select CDBG Funded Activities

Steps to Select CDBG Funded Activities	
Steps	Requirements / Actions
STEP 1: Is the proposed activity listed as eligible in the CDBG Program?	Acquisition, clearance, etc. Refer to list of eligible activities
STEP 2: Check to see if the proposed activity is listed as "ineligible"	Buildings for the conduct of government, etc. Refer to list of ineligible activities
STEP 3: Can the proposed activity meet one of the three national objectives	Low/Mod Income Slums/Blight Urgent Need
STEP 4: Will the proposed activities help meet 70% as being: Low/Mod?	Monitor overall program expenditures
STEP 5: Will the proposed activities help limit to 15% as public services and 20% as planning and administration	Monitor overall program expenditures
STEP 6: Are proposed costs necessary and reasonable and will otherwise conform to the requirements of HUD?	OMB Circular A-87 OMB Circular A-122 24 CFR Part 85
STEP 7: An environmental review and clearance must be done if required before releasing funds	The NEPA Compliance Officer must complete and obtain a "Notice of Removal of Grant Conditions from HUD

Determination of CDBG National Objective

Activity	National Objective	Documentation Required
Acquisition, Relocation, Clearance	LMA	Census Data
	SBA	Adopted plan including boundaries and conditions of area at time of adoption
	SBS	Identification of code deficiencies to be corrected
	LMJ	Agreement and Checklist
	LMH	Income Verification
Rehab Housing	LMH	Income Verification
Public Facilities and Improvements	LMA	Census Data
	LMH	Income Verification
	LMC	Eligibility requirements limiting activity to LMI or presumed benefit persons or income verification that 51% of beneficiaries are LMI or nature location
Economic Development	LMA	Census data
	LMJ	Agreement and Checklist
Public Services	LMA	Census data
	LMC	Eligibility requirements limiting activity to LMI or presumed benefit persons or income verification that 51% of beneficiaries are LMI or nature location