Community Development Block Grant (CDBG)

Following is a summary of regulations at 24 CFR 570, which may be found at http://www.access.gpo.gov/nara/cfr/waisidx_08/24cfr570_08.html

The primary objective of the CDBG program is development of viable communities through provision of decent housing and a suitable living environment, and by expanding economic opportunities, principally for persons of low- and moderate-income.

570.201 Basic eligible activities (detailed descriptions begin on page 6 below):
   (a) Acquisition of real property for any public purpose subject to limitations of 570.207
   (b) Disposition of real property acquired with CDBG funds
   (c) Public facilities and improvements
   (d) Clearance and remediation activities
   (e) Public services
   (f) Interim assistance for alleviation of emergency conditions threatening public health and safety, where permanent improvements will be carried out as soon as practicable
   (g) Payment of non-federal share of federal grants-in-aid as part of CDBG activities
   (h) Urban Renewal completion (Muncie has no Urban Renewal projects)
   (i) Relocation assistance required under 570.606
   (j) Loss of rental income to housing owners holding units to be used for relocation activities
   (k) Housing services
   (l) Privately-owned utilities
   (m) Construction of housing assisted under section 17 of U.S. Housing Act of 1937
   (n) Homeownership assistance
   (o) Assistance to facilitate economic development
   (p) Technical assistance to public or non-profit entities to increase capacity to carry out eligible neighborhood revitalization activities
   (q) Assistance to institutions of higher education

570.202 Eligible rehabilitation & preservation activities:
   (a) Types of buildings & improvements: privately- or publicly-owned residential properties; commercial or industrial buildings, but when property is owned by a for-profit, rehabilitation is limited to exterior improvements of the building and the correction of code violations; other non-profit, non-residential buildings and improvements that are not considered to be public facilities or improvements under CDBG regulations.
   (b) Types of assistance: assistance to profit or non-profit private individuals or entities to acquire for the purpose of rehabilitation, and to rehabilitate properties, for use or resale for residential purposes; improvements to increase the efficient use of energy and water; connection of residential structures to water distribution lines or local sewer collection lines; initial homeowner warranty premiums and, where needed to protect the grantee’s interest in properties securing a rehabilitation loan, hazard insurance premiums as well as flood insurance premiums for properties covered by the Flood Disaster Protection Act of 1973, as amended; costs of acquiring tools to be lent to owners, tenants and others who will use the tools to carry out rehabilitation; rehabilitation services; rehab of housing under section 17 of U.S. Housing Act of 1937; removal of material and architectural barriers that restrict the mobility and accessibility of elderly and severely disabled persons to buildings and improvements.
   (c) Code enforcement
   (d) Historic preservation
   (e) Renovation of closed buildings
(f) Lead-based paint activities

570.203 Special economic development activities

570.204 Special activities by Community Based Development Organizations (CBDOs)

570.205 Planning, urban environmental design & policy-planning-management-capacity building activities

570.206 Program administrative costs

570.207 Ineligible Activities:
   (a) The following activities may not be assisted with CDBG funds:
       (1) Buildings or portions thereof, used for the general conduct of government;
       (2) General government expenses required to carry out the regular responsibilities of
           the unit of local government;
       (3) Political activities - the use of facilities or equipment for political purposes or to
           engage in other partisan political activities.

   (b) Generally ineligible unless authorized as Special Economic Development Activities:
       (1) Purchase of equipment, except leasing construction equipment, purchase of fire
           equipment, or furnishings and equipment for use by the recipient in administration of
           the activities;
       (2) Operating and maintenance expenses associated with repairing, operating or
           maintaining public facilities, improvements, and services, except as associated with
           public service activities, interim assistance, or office space for CDBG staff carrying
           out the CDBG program;
       (3) New housing construction, except as provided under last resort housing provisions of
           24 CFR 42, or as authorized under 570.201(m) or (n), or when carried out by an
           entity pursuant to 570.204(a);
       (4) Income payments (subsistence-type payments to an individual or family).

570.208 Criteria for national objectives:
   (a) Activities benefitting low- and moderate-income persons
   (b) Prevention/elimination of slums or blight
   (c) Activities designed to meet community development needs having a particular urgency

Following are detailed descriptions of these objectives:

(a) Activities benefitting low- and moderate-income persons

   Low- and Moderate-Income Benefit Area

   An area benefit activity is an activity which is available to benefit all the residents of an area which
   is primarily residential. The activity must meet the identified needs of low- and moderate-income
   persons residing in an area where at least 51% of the residents are low-and moderate-income
   persons. The benefits of this type of activity are available to all residents in the area regardless of
   income. The principal responsibility for determining the area served by an activity rests with the
   grantee. HUD will generally accept the grantee’s determination.

   Typical area benefit activities include:
      Street improvements
      Water and sewer lines
Neighborhood facilities
Facade improvements in neighborhood commercial districts

Low- and Moderate-Income Limited Clientele

A low- and moderate-income limited clientele activity is an activity which provides benefits to a specific group of persons rather than everyone in an area generally. It may benefit particular persons without regard to the area in which they reside, or it may be an activity which provides benefit on an area basis but only to a specific group of persons who reside in the area. In either case, 51% of the beneficiaries of the activity must be low-and moderate-income persons.

Activities that may qualify under the low- and moderate-income limited clientele subcategory include:

- Construction of a senior center
- Public services for the homeless
- Assistance to low- and moderate-income persons developing a microenterprise
- Meals on wheels for the elderly
- Construction of job training facilities for severely disabled adults

Low- and Moderate-Income Housing

An activity which assists in the acquisition, construction, or improvement of permanent residential structures may qualify as benefitting low- and moderate-income persons only to the extent that the housing is occupied by low- and moderate-income persons. (This includes activities directed towards homeownership assistance.) To meet the national objective, the result must be housing that will be occupied by low- and moderate-income households upon completion. The housing can be either owner or renter occupied and can be either one family or multi-unit structures. It must be occupied by a low- and moderate-income household at affordable rents. The low- and moderate income benefit status for this purpose is based on households, not persons.

CDBG-assisted activities that may be considered as benefitting low- and moderate-income households include:

- Acquisition of property to be used for permanent housing
- Rehabilitation of permanent housing
- Conversion of nonresidential structures into permanent housing
- Newly constructed housing (when eligible)
- Assistance to a household to enable it to acquire ownership of a home (homeownership assistance)

Low- and Moderate-Income Jobs

Most (but not all) job creation or retention activities emanate from special economic development activities. The statute provides that these “special economic development” activities may meet the low- and moderate-income benefit national objective only in the following three ways:

1. Be located in a predominantly low- and moderate-income neighborhood and serve low- and moderate-income residents;
2. Involve facilities designed for use predominantly by low- and moderate-income persons;
3. Involve the employment of persons, the majority of whom are low- and moderate-income persons.

A low- and moderate-income jobs activity is one which creates or retains permanent jobs, at least 51% of which, on a full time equivalent (FTE) basis, are either held by low- and moderate-income
persons or considered to be available to low- and moderate-income persons.

Activities that could be expected to create or retain jobs include:

• Construction by the grantee of a business incubator which is designed to offer both space and assistance to new, small businesses to help them survive and perhaps even expand;
• Loans to help finance the expansion of a plant or factory;
• Financial assistance to a business which has publicly announced its intention to close, and help update its machinery and equipment instead;
• Improvement of public infrastructure as needed by a company to comply with environmental laws and avoid closure.

(b) Prevention/elimination of slums or blight

Addressing Slums or Blight on an Area Basis

To qualify under the national objective of slums/blight on an area basis, an activity must meet all of the following criteria:

• The area must be officially designated by the grantee and must meet the definition of a slum, blighted, deteriorated or deteriorating area under State or Local law.
• The area must exhibit the following physical signs of blight or decay:
  There must be a substantial number of deteriorated or deteriorating buildings throughout the area. To meet this test, the area must either
    (a) have a proportion of deteriorated buildings in the area at least equal to that specified in the applicable State law; or
    (b) if the State law does not specify the percentage of deteriorated buildings required to qualify the area, at least one quarter of all the buildings in the area must be deteriorated or deteriorating; or
    (c) the public improvements throughout the area must be in a general state of deterioration.
• Documentation must be maintained by the grantee on the boundaries of the area and the conditions which qualified the area at the time of its designation. ‘Activities to be assisted with CDBG finds must be limited to those that address one or more of the conditions which contributed to the deterioration of the area.

Activities typically designed to address blight on an area basis include:

• Acquisition and clearance of blighted properties
• Installation of a park or playground
• Commercial revitalization through facade improvements
• Treatment of toxic materials on property to enable it to be redeveloped for a specific use.

The assistance must be designed to address one or more of the specific conditions which originally qualified the area.

Addressing Slums or Blight on a Spot Basis
The elimination of specific conditions of blight or deterioration on a spot basis is designed to be used for the prevention of blight, on the premise that such action(s) serves to prevent the spread to adjacent properties or areas.

To comply with the national objective of elimination or prevention of slums or blight on a spot basis, i.e., outside a slum or blighted area, an activity must meet the following criteria:

- The activity must be designed to eliminate specific conditions of blight or physical decay not located in a designated slum or blighted area.
- The activity must be limited to one of the following:
  1. Acquisition
  2. Clearance
  3. Relocation
  4. Historic Preservation
  5. Rehabilitation of buildings, but only to the extent necessary to eliminate specific conditions detrimental to public health and safety.

Examples of activities addressing slums or blight on a spot basis might be:

- Elimination of faulty wiring, falling plaster, or other similar conditions from a residential building which are detrimental to all potential occupants;
- Historic preservation of a blighted public facility;
- Demolition of a vacant, deteriorated, abandoned building.

**Addressing Slums or Blight in an Urban Renewal Area**

To qualify under the national objective of addressing slums and blight on the basis of urban renewal completion, an activity must:

1. Be located within an Urban Renewal project area or Neighborhood Development Plan action area; i.e., an area in which funded activities were authorized under an Urban Renewal Loan and Grant Agreement or an annual NDP Funding Agreement.
2. Be necessary to complete the Urban Renewal plan, as then in effect.

(c) Activities designed to meet community development needs having a particular urgency

To comply with the national objective of meeting community development needs having a particular urgency, an activity must be designed to alleviate existing conditions which the grantee certifies:

- pose a serious and immediate threat to the health or welfare of the community;
- are of recent origin or recently became urgent.
- the grantee is unable to finance on its own;
- other resources of funding are not available to carry out the activity.

A condition will generally be considered to be of recent origin if it is developed or became critical within 18 months preceding the grantee’s certification.

An example might be a major catastrophe, such as a flood or earthquake that threatens the community’s residents with the spread of serious disease. The community’s other resources may well be depleted and other Federal programs may not be sufficient to cover all the costs.

**CATEGORIES OF ELIGIBLE ACTIVITIES**
1. Acquisition of Real Property

Acquisition of real property means by purchase, long-term lease, (a period of 15 years or more,) donation, or otherwise. In order to be considered acquisition, a permanent interest in the property must be obtained.

CDBG funds may be used under this category by:

The grantee, any other public agency, a public nonprofit entity, a private nonprofit entity to acquire real property for any public purpose, excluding a building to be used for the general conduct of government and for political activities.

The acquisition of real property may be: land, air rights, easements, water rights, right-of-way, buildings and other real property improvements, or other interest in the real property.

HOME Funds may be used under this category as part of either a homebuyer program or a rental housing project. Vacant land can be acquired only if construction will begin within 12 months of acquisition.

2. Disposition

CDBG funds maybe used to pay costs incidental to disposing of real property acquired with CDBG Funds, including its disposition at less than fair market value, provided the property will be used to meet a national objective of the CDBG program. (sale, lease, donation, or otherwise)

CDBG funds may also be used to pay reasonable costs of temporarily managing such property until final disposition of the property is made.

Disposition costs include preparation of legal documents, as well as fees paid for appraisals, surveys, marketing, financial services, or transfer taxes and other costs involved in the transfer of ownership of property.

3. Public Facilities and Improvements

CDBG Funds may be used by the grantee or other public or private nonprofit entities for:

acquisition (including long term leases for periods of 15 years or more), construction, reconstruction, rehabilitation (including removal of architectural barriers to accessibility), or installation of public improvements or facilities.

4. Clearance

Under this category, CDBG Funds may be used for

Demolition of buildings and improvements;
Removal of demolition products (nibble) and other debris;
Physical removal of environmental contaminants or treatment of such contaminants to render them harmless; and
Movement of structures to other sites.

HOME funds may be used only if construction will begin on the project within 12 months.

5. Public Services

CDBG finds may be used to provide public services (including labor, supplies, materials and other
costs), provided the public service is either a new service or a quantifiable increase in the level of a service.

Public services include, but are not limited to:
  - child care
  - drug abuse counseling and treatment
  - education programs
  - energy conversation counseling and testing
  - fair housing activities
  - health care
  - homebuyer downpayment assistance
  - job training
  - public safety services
  - recreation programs
  - services for homeless persons
  - services for senior citizens
  - welfare

Paying the cost of operating and maintaining that portion of a facility in which the service is located is also considered to be eligible, even if such costs are the only contributions made by CDBG for those services.

6. Interim Assistance

There are two subcategories of interim assistance activities that may be funded with CDBG Funds:

(a) Limited improvements to a deteriorating area as a prelude to permanent improvements. To qualify under this subcategory, the area must be exhibiting objectively determinable signs of physical deterioration and the grantee must determine that immediate action is needed to arrest the deterioration and that permanent improvements will be undertaken as soon as practicable.

Activities that may be carried out with CDBG Funds under this subcategory are limited to:
  (1) The repair of streets, sidewalks, public buildings, parks and playgrounds, publicly-owned utilities.
  (2) The execution of special (i.e., beyond that normally provided) garbage, trash, debris removal, including neighborhood cleanup campaigns.

(b) Alleviate an emergency condition. To qualify under this condition:
  (1) The Mayor must determine that emergency conditions exist and provide documentation.
  (2) Activities are limited to:
    activities listed in (a) except repair of parks and playgrounds; clearance of streets; and improvements to private properties.

7. Relocation

CDBG Funds and HOME Funds may be used for relocation payments and assistance to displaced persons, including individuals, families, businesses, non-profit organizations, and farms where required under CDBG and HOME regulations.

8. Loss of Rental Income

CDBG Funds may be used to pay housing owners for the loss of rental income incurred while
temporarily holding housing units to be used for the relocation of persons displaced by CDBG-assisted activities.

9. Privately-Owned Utilities

The grantee, other public agencies, private nonprofit entities, and for-profit entities may use CDBG funds to acquire, construct, reconstruct, rehabilitate, or install the distribution lines and related facilities for privately-owned utilities. Utilities include, but are not limited to, natural gas, electricity, telephone, water, sewer, and television cable services.

10. Rehabilitation

CDBG Funds may be used to finance the costs of the following eligible types of property:

- Privately or publicly owned residential properties;
- Commercial or industrial buildings, but when property is owned by a for-profit, rehabilitation is limited to exterior improvements of the building and the correction of code violations;
- Other non-profit, non-residential buildings and improvements that are not considered to be public facilities or improvements under CDBG regulations.

Eligible types of assistance:

- Property acquisition -
- Landscaping, sidewalks, and driveways - The costs of installation or replacement of landscape materials, sidewalks, and driveways when incidental to other rehabilitation of the property
- Renovation of closed buildings - The conversion of a closed building from one use to another,
- Historic preservation - The costs of preserving or restoring properties of historic significance, whether privately or publicly owned;
- Lead-based paint hazard evaluation and reduction - The costs of evaluating and treating lead-based paint, whether alone or in conjunction with other rehabilitation;
- Business in a residence - In some cases where a business is conducted in a residential unit, it may be necessary to make improvement to the residence in order to conduct the business.

HOME funds may be used on residential property only. The activity may include alteration, improvement or modification of an existing structure; moving an existing structure to a foundation constructed with HOME finds; or adding rooms outside existing walls. Home funds may be used to refinance existing debt on single-family, owner-occupied properties in connection with HOME-funded rehabilitation.

11. Construction of Housing

CDBG funds may be used in certain specified circumstances to finance the construction of new permanent residential structures. The following identifies those limited circumstances:

- A housing construction project that has received finding through a Housing Development Grant.
- Housing of last resort, or replacement housing that would not be able to be constructed without CDBG funding.

HOME finds may be used for new construction of both rental and ownership housing by either for-profit or nonprofit developers.
12. Code Enforcement
CDBG funds may be used for code enforcement only in deteriorating or deteriorated areas where such enforcement may be expected to arrest the decline of the area.

13. Special Economic Development Activities
This category includes the following three types of activities:
Commercial or industrial improvements carried out by the grantee or a nonprofit subrecipient, including:
• acquisition
• construction
• rehabilitation
• reconstruction or installation of commercial or industrial buildings or structures and other related real property equipment and improvements.

Assistance to private for-profit entities for appropriate economic development activities such as: grants, loans, loan guarantees, interest supplements, or technical assistance

Services in conjunction with the above subcategories including:
outreach efforts to market available forms of assistance,
screening of applicants,
reviewing and underwriting applications for assistance,
preparation of agreements,
management of assisted activities,
and screening, referral and placement of applicants for employment opportunities generated by CDBG-eligible economic development activities.

14. Microenterprise Assistance
Funds can be used to provide financial assistance to an existing microenterprise or to assist in the establishment of a microenterprise. In addition, technical assistance and general support may be provided.

15. Special Activities by CBDOs
Eligible projects include neighborhood revitalization, community economic development and energy conservation activities. Eligible entities must meet the following criteria:
Be organized under state or local law to carry out community development activities;
Maintain at least 51% of its governing body’s membership to be:
low- and moderate-income residents of its area of operation, owners or senior officers of establishments and institutions in its geographic area, or representatives of low- and moderate-income neighborhood organizations located in its geographic area.
Require that members of the governing body must be nominated and approved by the general membership;
Have as its primary purpose the improvement of the physical, economic or social environment of its geographic area with particular emphasis on low- and moderate-income persons;
Not be an agency or instrumentality of the grantee;
Not be subject to the reversion of its assets to the grantee upon dissolution; and ‘Be free to contract for goods and services from vendors of its own choosing.
16. Homeownership Assistance
CDBG finds and HOME finds may be used to provide financial assistance to low- and moderate-income households to assist them in the purchase of a home.

17. Planning and Administration Costs
CDBG finds may be used for studies, analysis, data gathering, preparation of plans and identification of actions that will implement plans.
Administration costs may include citizen participation, fair housing activities, development of submissions or applications for federal programs, costs of administering the CDBG and HOME programs.

18. Miscellaneous Other Activities
a. Payment of Non-Federal Share
Activities must otherwise be eligible for CDBG assistance. HOME funds may only be used to match McKinney Act finds.
b. Urban Renewal Completion
Funds may be used to complete an activity otherwise eligible for CDBG assistance.
c. Technical Assistance
CDBG finds may be used to increase the capacity of public or nonprofit entities to carry out eligible neighborhood revitalization or economic development activities.
d. Assistance to Institutions of Higher Education
Assistance may be provided to carry out an eligible activity.
e. Housing Services
CDBG thuds may be used to pay costs in support of activities eligible for finding under the HOME program.
f. Reconstruction
Rebuilding of a structure on the same site in substantially the same manner is eligible and not considered new construction in both CDBG and HOME regulations.
g. In Rem
Activities necessary to make essential repairs and payment of operating expenses needed to maintain the habitability of housing units acquired through tax foreclosure proceedings in order to prevent abandonment and deterioration of such housing in primarily low- and moderate-income neighborhoods are authorized.

h. Handicapped Accessibility
Specifically eligible is the removal of material and architectural barriers that restrict the accessibility or mobility of elderly or handicapped persons if the cost of such removal is restricted to barriers in:
- reconstruction of a public facility or improvement,
- rehabilitation of a privately owned nonresidential building or improvement, or
- rehabilitation of the common areas of a residential structure that contains more than one dwelling unit.