

IDENTIFYING FUNDABILITY

- National Objectives
- Eligible Activities
- Other Requirements



March 2019

IDENTIFYING FUNDABILITY

National Objectives

24 CFR 570.483



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CDBG and CDBG-DR: A Comparison

National Objectives

CDBG	CDBG-DR
<ul style="list-style-type: none">• Benefit to low and moderate income persons (LMI)• Aid in the prevention or elimination of slums or blight• Meet a need having a particular urgency (Urgent Need)	<ul style="list-style-type: none">• Same as CDBG• Appropriation allows HUD to waive HCDA provisions and add alternatives



CDBG and CDBG-DR: A Comparison

Overall Benefit

CDBG	CDBG-DR
<ul style="list-style-type: none">70% of CDBG funds expended must go to activities that principally benefit low-mod income (LMI) persons	<ul style="list-style-type: none">Appropriation may retain 70% level or may reduce itHUD may reduce the 70% level per waiver/alternative authority based on compelling need



National Objective - LMI

LMI Area Benefit (24 CFR 570.483(b)(1))

Most commonly used:

- Area defined a number of ways
- Activity benefits all residents of an area, where at least 51% are LMI
- Area must be primarily residential and activity must meet needs of LMI persons

May document 51% by:

- Census
- American Community Survey (ACS)
- Survey



National Objective - LMI

LMI Area Benefit (24 CFR 570.483(b)(1))

- Activities that benefit all residents of area
- Typical activities: water/sewer, parks, community centers
- Must determine service area of activity
 - Based on reasonable assumptions as to who would access the facility, service, etc.
- Area must be primarily residential
- Local applicant defines service area and state approves
- Area must be at least 51% LMI persons
 - Typically use Census/American Community Survey (ACS) data
 - Can conduct survey using approved methodology



National Objective - LMI

Characteristics of Service Area

- Nature of activity
- Location of activity
- Accessibility
- Availability of comparable activities
- Established boundaries or districts



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National Objective - LMI

Limited Clientele

- Activities that benefit specific populations (e.g., services for seniors; homeless shelters)
- Options for meeting limited clientele:
 - Presumed clientele
 - Activity must exclusively serve: elderly, severely disabled adults, homeless persons, illiterate adults, migrant farm workers, abused children, persons with AIDS or battered spouses
 - 51% of participants are documented as LMI
 - Participation limited to LMI only
 - Nature and location indicate low/mod benefit



National Objective - LMI

Housing

- To meet the housing national objective, structures must be occupied by low/mod **households**
- Typical activities: homeowner unit rehab, rental acquisition and rehab, homebuyer assistance
- Note: This is the only L/M national objective for housing activities
- Documented based on unit occupancy:
 - One unit structures occupied by LMI
 - One unit of duplex occupied by LMI
 - 51% of 3+ units LMI occupied by LMI



National Objective - LMI

Job Creation/Retention

- Activities related to economic opportunity
- Typical activities: business loans, commercial rehabilitation, infrastructure to a business
- In order to meet this criteria, activities must ***create or retain*** permanent jobs

AND

- 51% of the jobs created/retained must be ***available to or held by*** LMI persons
 - Jobs counted on full time equivalent (FTE) basis



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National Objective - LMI

Job Creation/Retention

- For jobs **created**, 51% of the jobs must be available to or held by LMI persons
- For jobs to be considered **retained**, document that jobs would be lost without CDBG and that job
 - Is currently held by LMI person OR
 - Is expected to turn over in 2 years and will be filled by/available to LMI person



National Objective - LMI

Jobs Available to LMI

- For jobs to be considered *available to* LMI persons:
 - No special skills/education required
 - LMI persons must receive first consideration
 - Must have a written agreement with business



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National Objective - LMI

Jobs Held by LMI

- For jobs to be considered *held by* LMI persons:
 - 51% of the FTE jobs must be LMI
 - Must document income of LMI persons hired or have evidence of presumption
 - Must have a written agreement with business



National Objective - LMI

LMI Presumption for Jobs

- May be presumed LMI for jobs if:
 - Reside in Census/American Community Survey tract/block numbering area (BNA) with 20% poverty and general distress;
 - Reside in Census/American Community Survey tract/BNA with 30% poverty, CBD, and general distress;
 - Reside in EZ/EC area;
 - Reside in Census/American Community Survey tract/BNA with 70% LMI;
 - Business and job located in Census/American Community Survey tract/BNA with 20% poverty and general distress;
 - Business and job in Census/American Community Survey tract/BNA with 30% poverty, CBD, and general distress; or
 - Business and job in EZ/EC area



National Objective

Slum and Blight (24 CFR 570.483(c))

Can meet the regulations in one of two ways:

- Area basis (24 CFR 570.483(c)(1))
- Spot basis (24 CFR 570.483(c)(2))



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National Objective – Slum/Blight

Area Basis (24 CFR 570.483(c)(1))

- Activity designed to address dilapidated physical environment
 - Not based on income of residents
- Typical activities: code enforcement, infrastructure, commercial rehabilitation
- Area must meet definition of slum/blighted area under state/local law AND



National Objective – Slum/Blight

Area Basis (24 CFR 570.483(c)(1))

- Meet either A) or B) below:
 - A) At least 25% of properties throughout the area experience 1 or more of the following conditions:
 - Physical deterioration of buildings or improvements
 - Abandonment of properties;
 - Chronic high occupancy turnover rates or chronic high vacancy rates in commercial/industrial buildings;
 - Significant declines in property values or abnormally low property values relative to other areas in community; or
 - Known or suspected environmental contamination.
 - B) The public improvements in the area are in a general state of deterioration
- If residential rehab, must address substandard items before addressing other work



National Objective – Slum/Blight

Spot Basis (24 CFR 570.483(c)(2))

- Activities that address specific conditions of blight, physical decay or environmental contamination not in slum/blight area
- Activities limited: acquisition, clearance, relocation, historic preservation, remediation of environmentally contaminated properties, or building rehab
 - Acquisition & relocation must be precursor to another eligible activity that addresses slum/blighted conditions
 - Rehab limited to elimination of conditions detrimental to public health & safety



National Objective

Urgent Need (24 CFR 570.483(d))

- Used to address emergency situations
- Typical activities: infrastructure, interim assistance, rehab of community facilities
- To meet the urgent need test:
 - Existing conditions pose serious & immediate threat to health/welfare of community
 - Existing conditions are recent or recently became urgent
 - Generally 18 months
 - UGLG cannot finance on its own
 - Other funding sources not available



National Objectives-Urgent Need

Disaster Recovery Streamlined Alternative

- Grantees need not issue formal certification statements
- Must document how each program and/or activity funded under the urgent need national objective responds to a disaster-related impact.
- For each activity that will meet an urgent need national objective, grantees must reference in their action plan needs assessment the type, scale, and location of the disaster-related impacts that each program and/or activity is addressing within 24-months of its first obligation of grant funds.
 - Following this 24-month period, no new program or activity intended to meet the urgent need national objective may be introduced and allocated funds without a waiver from HUD.



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Eligible Activities

24 CFR 570.482

and

Housing and Community Development Act (HCDA) Section 105(a)



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CDBG and CDBG-DR: A Comparison

Eligible Activities

CDBG	CDBG-DR
<ul style="list-style-type: none">• Housing• Economic Development• Public Facilities• Public Services• Real Property Improvements	<ul style="list-style-type: none">• Same as CDBG• Appropriation allows HUD to waive HCDA provisions and add alternatives



ELIGIBLE ACTIVITY

HOUSING



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Eligible Activities–Housing

Most common samples for Louisiana:

- Homeowner Rehabilitation
- Rental Housing
- New construction
- Housing services



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Ineligible Activities-Housing

- Direct mortgage guarantees
- Purchase of construction equipment
- Mortgage or utility payments, except when:
 - Provided for less than 3 consecutive months in an emergency & payments made to provider
 - When provided as a loan
 - When provided under 105(a)(15) as part of eligible project



Eligible Activities-Housing

Homeowner Rehabilitation Eligible Activities

- Two ways to approach home purchase activities:
 - Assistance to homebuyers
 - Development assistance
- Eligible activities for assistance to homebuyers:
 - As direct homeownership assistance -- now a separate & permanently eligible activity
 - As a public service activity



Eligible Activities-Housing

Approaches to Rental Housing

- Many possible approaches:
 - Acquisition
 - Rehabilitation
 - New construction
- Acquisition:
 - Subsidize the purchase
 - In return units are rented to LMI persons at affordable rent
 - Must be public or nonprofit purchaser



Eligible Activities-Housing

Approaches to Rental Housing

- Rehabilitation
 - Can be combined with acquisition
 - CDBG mandates no standard
 - Can do historic preservation
 - Conversion = changing something into affordable housing
 - Reconstruction = re-building same size structure on same site



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Eligible Activities-Housing

Rental Projects

- Project ownership can be public or private
- Mixed use is allowed
 - Can pay for both commercial and residential
- Mixed income is also possible
- Special needs projects are allowed
 - Includes group homes, SRO, transitional
- Can develop facilities but these are not “housing”
 - Not subject to new construction ban
 - Must be owned by public agency or nonprofit



Eligible Activities-Housing

Housing Services

- Housing services may be eligible as:
 - Public service activity
 - Part of other CDBG activity (program delivery) OR
 - As separate activity when activities linked to HOME Program activities
- As public service, housing services may fit under Area Benefit or Limited Clientele of Low/Mod National Objective
- As part of CDBG or HOME housing activity, housing services must qualify under the Low/Mod Housing National Objective



ELIGIBLE ACTIVITY

ECONOMIC DEVELOPMENT



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Eligible Activities –ED

- Loans for businesses
- Façade Improvement Programs
- Technical assistance to businesses
- Business Incubators
- Microenterprise assistance
- Commercial rehabilitation
- Infrastructure to assist businesses
- Job training



Ineligible Activity-ED

- Job pirating is prohibited
 - If assist in relocation of plant, facility or operation AND
 - Relocation will result in significant loss of jobs in another geographic area of U.S.
- Significant loss defined as:
 - Number of lost jobs is equal or greater than $1/10^{\text{th}}$ of 1% of jobs in labor market area
 - OR
 - Loss of 500 jobs
- Projects with 25 jobs or less are exempt



Eligible Activity-ED

Assistance to For Profits 105(a)(17)

- Assistance to for-profit entities to carry out an economic development project.
- Project has to:
 - Create or retain jobs;
 - Prevent or eliminate slum and blight;
 - Meet urgent need;
 - Create or retain businesses owned by community residents;
 - Assist businesses that provide goods or services needed by and affordable to LMI residents; or
 - Provide TA to promote any activities listed above



Eligible Activity-ED

Assistance to Non-Profits 105(a)(14)

- Acquire, construct, rehabilitate, reconstruct or install commercial/industrial buildings or equipment
 - By recipient or subrecipient only
- Can also do public facility (105(a)(2)) or clearance (105(a)(4))
- Planning
- Provide loans or grants to businesses carried out by non-profit



Eligible Activity-ED

Non-Profit Development Organizations 105(a)(15)

- Assistance to neighborhood-based non-profit organizations, local development corporations or non-profit organizations to carry out:
 - Community economic development
 - Neighborhood revitalization
 - Energy conservation
- Revenue generated by the activity is not considered to be CDBG program income.



Eligible Activity-ED

Microenterprise Assistance 105(a)(22)

- Microenterprise is defined as a commercial enterprise with less than or equal to 5 employees (one of whom is the owner)
- May provide assistance as loans, grants and other forms of financial support
- Other support activities eligible:
 - TA, advice, and business services
 - General support
 - Training and TA to build capacity



Eligible Activity-ED

Infrastructure for Economic Development

- Roads, streets, sewers that are:
 - Leading to business location
 - Within an industrial park
 - On a business site
- If public facility must be owned by public agency/nonprofit
- If owned by business, conduct as special economic development



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Eligible Activity-ED

Job Training

- Help unemployed or under-employed persons gain skills to meet labor market demands
- Linked to job placement
- Four ways to do job training:
 - As a public service
 - As part of special economic development project
 - By 105(a)(15) orgs
 - As part of micro-enterprise activities



Eligible Activity-ED

Public Benefit Standard – Waiver from HUD

- Usually public benefit standards apply to certain economic development projects: Create or retain 1 job per \$50,000 or the amount of CDBG assistance per LMI person for goods or services provided aggregate standard
- The federal registers waive this requirement for all Louisiana disasters for which OCD-DRU has a grant; however, OCD-DRU is still required to report these numbers.

Eligible Activity

Public Facilities



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Eligible Activity–Public Facilities

- Infrastructure
 - Drainage, retention ponds, levees
 - Streets, sidewalks
 - Water, sewer
- Neighborhood facilities
 - Parks, playgrounds
 - Recreational facilities
- Facilities for special needs populations
 - Homeless shelters
 - Group homes



Ineligible Activity–Public Facilities

- Maintenance and repair of public facilities
 - Exception for handicapped accessibility
- Operating costs
 - Exception for costs related to operating a CDBG public service activity



Eligible Activity

Public Services



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Eligible Activity-Public Services

- Wide range of public services possible
- Includes services related to:
 - Employment
 - Job training
 - Crime prevention/public safety
 - Child care
 - Health
 - Health services
 - Substance abuse services



Eligible Activity-Public Services

Also includes services related to:

- Housing
 - Housing counseling
 - Fair Housing counseling
 - Energy conservation
 - Homebuyer downpayment assistance
 - Services for homeless persons
- Education
- Welfare services
- Services for seniors
- Recreational services



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Ineligible Activity-Public Services

- Income payments ineligible
 - Except emergency grant payments
 - Not to exceed three consecutive months
 - Payments made directly to provider
- No on-going operations as a stand alone public service
 - For example: operating rental housing
 - Different than paying to offer a service within the housing development, such as counseling
- Political activities ineligible



Eligible Activity-Public Services

Restrictions

- The service must be:
 - A new service OR a quantifiable increase in the level of an existing service that has been provided by the grantee or another entity on its behalf with local gov't funding (or funding from the state to the local gov't) in the 12 months preceding submission of the Action Plan
- Note: this restriction does not mean that an existing, funded services organization needs to do more each year



Eligible Activity

Other Real Property



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Eligible Activities-Other Real Property

- Acquisition possible when undertaken by public agency or nonprofit
 - Must meet national objective based on end use
- Disposition involves selling property assisted with CDBG
 - Can pay for transfer costs such as legal docs or preparation of legal documents
- Clearance is site clean-up or demolition
 - Often is combined with other eligible activities



Eligible Activity

Administration & Planning



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CDBG and CDBG-DR: A Comparison

Administration & Planning Costs

CDBG	CDBG-DR
<ul style="list-style-type: none">• Capped at 20% of grant plus program income	<ul style="list-style-type: none">• Appropriation provides up to 5% for administration• Extensive planning costs permissible



Eligible Activities-Other

Planning & Planning Only Grants

- Three ways planning can be done under CDBG
 - General planning to assist in determining community needs, for example:
 - Comprehensive plans
 - Neighborhood plans
 - Planning that is related to implementing a CDBG-assisted project
 - Planning for a specific project or activity (known as planning only grants)
- Planning only grants are unrelated to another activity
 - Must meet its own national objective, for example:
 - Area benefit: if plan for low- and moderate area
 - Slum and blight area



IDENTIFYING FUNDABILITY

Other Requirements



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CDBG and CDBG-DR: A Comparison Regulations

CDBG	CDBG-DR
<ul style="list-style-type: none">• 24 CFR 570	<ul style="list-style-type: none">• 24 CFR 570• Federal Register Notices for each CDBG-DR appropriation• Appropriation allows HUD to waive HCDA provisions and add alternatives



Other Requirements

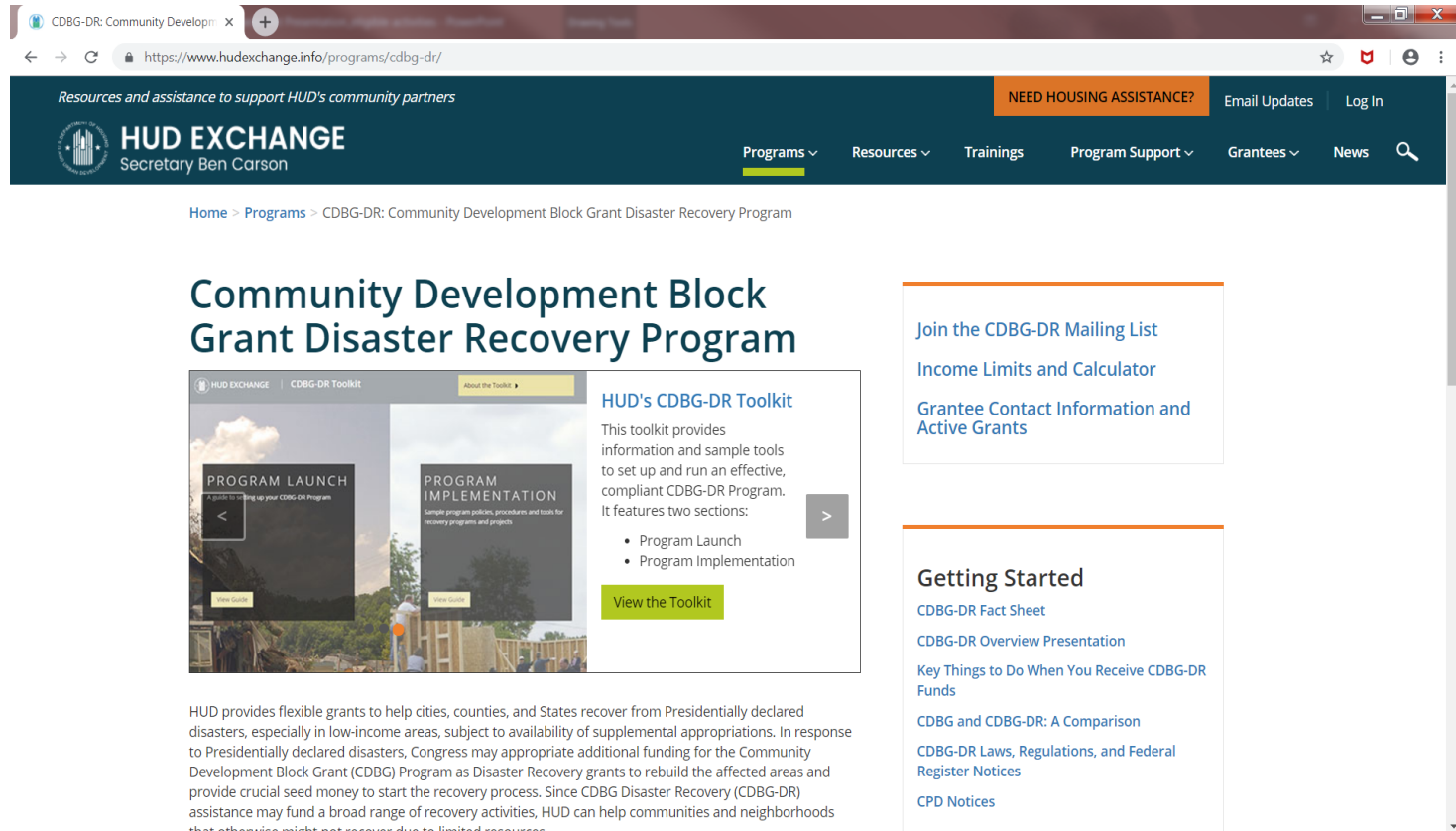
The Federal Registry Notice (FRN) can include other requirements:

- Prohibit use of funds for specific types of projects
- Document a clear connection to the disaster
- Adopting another agency's environmental review
- Public Web Site



HUD EXCHANGE

<https://www.hudexchange.info/programs/cdbg-dr/>



The screenshot shows a web browser window displaying the HUD Exchange website. The address bar shows the URL <https://www.hudexchange.info/programs/cdbg-dr/>. The page header includes the HUD Exchange logo and the name of Secretary Ben Carson. A navigation menu contains links for Programs, Resources, Trainings, Program Support, Grantees, and News. A prominent orange button reads "NEED HOUSING ASSISTANCE?". Below the header, the breadcrumb trail is "Home > Programs > CDBG-DR: Community Development Block Grant Disaster Recovery Program".

Community Development Block Grant Disaster Recovery Program

HUD's CDBG-DR Toolkit

This toolkit provides information and sample tools to set up and run an effective, compliant CDBG-DR Program. It features two sections:

- Program Launch
- Program Implementation

[View the Toolkit](#)

HUD provides flexible grants to help cities, counties, and States recover from Presidentially declared disasters, especially in low-income areas, subject to availability of supplemental appropriations. In response to Presidentially declared disasters, Congress may appropriate additional funding for the Community Development Block Grant (CDBG) Program as Disaster Recovery grants to rebuild the affected areas and provide crucial seed money to start the recovery process. Since CDBG Disaster Recovery (CDBG-DR) assistance may fund a broad range of recovery activities, HUD can help communities and neighborhoods that otherwise might not recover due to limited resources.

[Join the CDBG-DR Mailing List](#)

[Income Limits and Calculator](#)

[Grantee Contact Information and Active Grants](#)

Getting Started

- [CDBG-DR Fact Sheet](#)
- [CDBG-DR Overview Presentation](#)
- [Key Things to Do When You Receive CDBG-DR Funds](#)
- [CDBG and CDBG-DR: A Comparison](#)
- [CDBG-DR Laws, Regulations, and Federal Register Notices](#)
- [CPD Notices](#)



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QUESTIONS?



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