

In this introductory video we will provide a brief overview of the Community Development Block Grant, or CDBG Program. We'll explain the three CDBG national objectives and how to meet them, including the different ways grantees can meet and document the requirement to benefit persons with low and moderate incomes. We will then give examples of the categories of activities that are eligible for CDBG funding, and also identify which activities are ineligible, or eligible only under certain conditions. By the end of the video, you will understand the basics of CDBG. All program activities funded through CDBG must both be eligible and meet one of the three national objectives.

The mission of the CDBG Program is to promote the development of viable urban communities by providing decent housing, a suitable living environment; and expanded economic opportunities, principally for persons of low and moderate incomes.

CDBG reaches about 7,200 urban and rural communities annually through the Entitlement and State CDBG programs. These communities are referred to as "grantees". CDBG provides grantees with the flexibility to plan programs that best meet their unique needs within the program's broad mission.

For example, Somerton, Arizona, a state CDBG Program participant, used CDBG funds to bring solar energy to its water treatment plant.

In Yuma County we're the first city to actually introduce solar to our city facilities. I think CDBG played a big role because obviously it was less costly for the city so that was a huge impact. So we get more of the benefits from the savings, and that we pass on to our residents.

Across the country, Philadelphia was revitalizing a North Philadelphia neighborhood through concentrated investment in housing and infrastructure.

When we looked at the project we felt that really to feel the impact of the investment it would be necessary to assemble contiguous blocks of real estate to create critical mass. So really transform an area rather than you know half a block here or one or two blocks there.

In order to meet its statutory intent, CDBG has 3 specific national objectives. With the exception of administration and planning, every activity must meet one of them, and the grantee must document how it meets that objective.

The first national objective is benefit to low and moderate income persons – that is, people with incomes below 80% of the area median. Grantees must spend at least 70% of their funds under this national objective. Grantees can meet and document the benefit to low and moderate income persons national objective – in short hand "low-mod benefit" – in 4 ways. First, grantees can assist a primarily residential area in which at least 51% of the residents have incomes that fall below the low and moderate income limits. Referred to as "area benefit" this national objective is most commonly used for activities that benefit a residential neighborhood.

The City of Indio, California targets over half of its CDBG allocation to its Better Neighborhoods Program, building parks, streets and sidewalks in target neighborhoods.

We found that with CDBG perfectly filled that need for funding in some of these distressed, disadvantaged, and basically ignored communities.

Second, grantees can meet the low-mod benefit national objective by directly documenting the income of people assisted, or by assisting a population that HUD presumes to be low or moderate-income, such as elderly persons or people with disabilities. This is common in public service programs, or in facilities like homeless or domestic violence shelters. When using this documentation method, at least 51% of the people served must meet the low-mod benefit criteria.

For example, this health center in Quincy, Massachusetts serves a variety of local residents.

You may also meet the low mod benefit national objective through housing. Generally, every single family house renovated needs to be occupied by people with low or moderate incomes. Apartment buildings may be mixed income, as long as a majority of the units are occupied by low and moderate income households.

In Odessa, Texas, the housing rehabilitation program helps low and moderate income owners make needed repairs to their homes.

Finally, many communities meet the low-mod benefit objective by creating or retaining jobs. This means that 51% of the full-time equivalent, permanent jobs created or retained through economic development activities must be held by or made available to people with low or moderate incomes. Furthermore, public benefit standards require that at least one job be created or retained for every \$35,000 in CDBG funds spent in the aggregate.

The second national objective of the CDBG Program is the prevention and elimination of slums and blight.

This objective can be met by either addressing the blighting conditions in an area that meets the state and local definition of a slum, blighted, deteriorated, or deteriorating area and HUD's criteria for a blighted area, or by eliminating an immediate hazard on an individual structure in any location, such as was done through this program in Odessa, Texas.

We also run a demolition program, where we remove vacant, unsafe structures that are located throughout the community, and we do that on a slum and blight, spot removal basis.

The third objective is meeting urgent needs. Often, it is used as a response to a natural disaster.

An urgent need is defined as a serious and immediate threat to the health or welfare of the community of recent origin and with no other funding available to remediate it.

To meet these three objectives, there are 26 specific activities that can be undertaken with CDBG funds. Most CDBG activities can be grouped into seven categories: Acquisition; Economic Development; Administration and Planning; Housing; Public Improvements; Public Services; and Repayments of Section 108 Loans. And many CDBG projects combine several of these activity types.

Typically, in a given year, communities spend about 1/3 of CDBG funds on public facilities and improvements. This includes facilities like neighborhood centers, health centers, water facilities, and parks, and public infrastructure improvements like roads, sidewalks, drainage, or streetlights.

Let's say a grantee is building a senior center. While the primary eligible activity is public facilities, they

may also need to acquire property, relocate a former tenant, dispose of the property to a non-profit, or loan funds to a non-profit to purchase the building. So, grantees may use CDBG funds for several eligible activities within one project.

While there are several eligible public improvement activities, there are some things CDBG will not pay for. For example, constructing buildings for the general conduct of government, like City Halls, or purchasing furniture. And, while you may build or refurbish a road, you cannot pay for ongoing maintenance or operations.

In one public facility example, Loudon County, Virginia worked with local non-profits to build a major addition onto an existing homeless shelter to consolidate homeless services. As in many public facility projects, CDBG funds were a part of a larger funding package. CDBG contributed to the expansion and paid for solar panels to make the building more energy efficient.

Housing activities make up one-quarter of CDBG expenditures nationwide.

Common housing activities include rehabilitation, emergency repair and reconstruction of owner-occupied homes; homeownership assistance, and lead-based paint hazard removal.

Many communities, like Odessa, Texas carry out a variety of housing activities.

Other communities, like Midland, Texas fund site improvements such as streets and sidewalks in support of housing development by non-profits.

Generally grantees cannot use CDBG funds for new construction of housing. However, there are some exceptions to this rule.

For example, grantees can support community-based nonprofits in their efforts to build new homes. So, understanding the details of eligible activities is important.

While they are limited by a 15% spending cap, grantees spend more than 10% of their CDBG funds on public services. Grantees may use CDBG for public services as long as they are new or represent an increased level of services. CDBG cannot substitute local funding.

Public services range from day care, to youth recreation programs, to counseling.

Political activities are not eligible, nor are non-emergency payments to individuals for food, clothing, or the like.

Grantees can use CDBG funds to support economic development such as providing loans or grants directly to businesses, or to non-profit programs. In a typical year, grantees spend around 7% of their CDBG funds on economic development. These activities are designed to create and retain jobs and encourage redevelopment. In addition to the usual CDBG national objective and eligible activity requirements, public benefit standards apply to most economic development activities.

Approximately 5% of CDBG funds are used to acquire properties that are part of larger housing, economic development, and public facilities activities. The ability to acquire and redevelop underutilized land and buildings is critical to neighborhood redevelopment and quality of life improvements.

The Section 108 Loan Guarantee Program allows grantees to borrow up to five times their CDBG allocation to undertake large-scale projects. Section 108 loans may be used for certain activities eligible under the regular CDBG program. They are most often used for economic development activities, though housing rehabilitation and other activities are also eligible. Grantees use about three and one-half percent of their CDBG funds to repay Section 108 loans.

Administration and planning round out the list of CDBG eligible activities. While this activity does not need to meet one of the national objectives, there are other restrictions on spending.

Entitlement communities cannot spend more than 20% of grant funds on administration and planning. States may spend up to 3% of grant funds on administration and/or technical assistance and must match any administrative costs over \$100,000. States independently set limits on how much units of general local government can spend on administration.

Remember, all activities must not only be eligible, but, with the exception of administration and planning, also must meet one of the three national objectives. You can think of these rules as two sides of a coin. Every program dollar spent must both meet a national objective and be used for an eligible activity, and this must be clearly documented.