

Housing and Urban Development (HUD) Explained

Community Development Block Grants

The Basics

Under the Community Development Block Grant (CDBG) program, HUD gives **annual grants to states and localities to fund housing and other community development activities**.

70% of CDBG grants are provided to *entitlement jurisdictions*¹ while 30% is allocated among states through the *State CDBG Program*, under which CDBG funds are awarded by states to smaller localities that are not entitlement jurisdictions. U.S. territories American Samoa, Guam, Northern Mariana Islands and the U.S. Virgin Islands receive funds through the *CDBG Insular Areas* program. Congress may also appropriate money for *Community Development Block Grant Disaster Recovery Assistance (CDBG-DR)*, which provides flexible grants to assist communities recovering from Presidentially declared disasters.²

The CDBG program was established by The Housing and Community Development Act of 1974.³ HUD, authorized by Congress through the Housing and Urban Development Act of 1965 administers the Housing Trust Fund program within its Community Planning and Development Department. HUD has the power to waive CDBG requirements if there is a determination of good cause.⁴

Block Grant Standards

CDBG projects must benefit low- and moderate-income people and be consistent with broad goals of providing affordable housing, expanding economic opportunity, and improving living conditions in communities.

Citizen Action Plans

Grantees must certify that they are following a detailed citizen participation plan, with an emphasis on participation of low and moderate income people and residents of areas where projects will be located. The citizen participation plan must:

- Provide for technical assistance to groups representing low and moderate income people
- Provide for public hearings to discuss proposed activities and needs.
- Respond to written complaints ⁵

¹ Jurisdictions that are eligible to be entitlement grantees are principal cities of metropolitan statistical areas, other metropolitan cities with populations of at least 50,000, and qualified urban counties with populations of at least 200,000

² 24 CFR §570 et seq.

³ (42 U.S.C. §5301 et seq.)

⁴ 24 CFR 91.600

⁵ 42 USC §5304(a)(3)

Eligible Activities

Generally, nonprofit entities may receive CDBG funding to carry out any eligible activity.⁶ **HUD provides guidelines for evaluating and selecting economic development projects**, including mandatory guidelines for evaluating public benefit and non-mandatory guidelines for evaluating project costs.⁷

Eligible activities for CDBG encompass affordable housing, infrastructure development, and other community development priorities⁸ Including:

- **Redevelopment activities**, such as public works, code enforcement, property acquisition, buildings demolition, and disposition of property
- **CDBG housing activities**, such as property rehabilitation, direct homeownership assistance to low-income people (e.g., paying closing costs, providing some down payment assistance), and the provision of housing services such as housing counseling in connection with affordable housing projects assisted under Title II of the *Cranston-Gonzales National Affordable Housing Act*.
- Funding for the provision of **technical assistance to public or nonprofit entities** to increase capacity for neighborhood revitalization or economic development activities.
- A notable eligible activity is **the provision of public services** in a wide range of areas including employment, crime prevention, child care, health, drug abuse, education, fair housing counseling, energy conservation, welfare, homebuyer down payment assistance, or recreational needs.
 - To be eligible for CDBG funds, “a public service must be either a new service or a quantifiable increase in the level of an existing service above which has been provided by or on behalf of the unit of general local government in the 12 calendar months before the submission of the action plan.” Generally, no more than 15 percent of each grant can be used for public service activities.
 - Public facilities including for neighborhood facilities, firehouses, public schools, and libraries and improvements,⁹ which may include streets, sidewalks, parks, playgrounds, water and sewer lines, flood and drainage improvements, parking lots, utility lines, and aesthetic amenities on public property such as trees and artwork.
 - While there is no clear definition of “public facilities and improvements”, HUD has generally interpreted this to include all improvements and facilities that are either publicly owned or traditionally provided by the government, or owned by a nonprofit and open to the general public.
- **Special economic development activities**, which include “[t]he provision of assistance to a private for-profit business, including, but not limited to, grants, loans, loan guarantees, interest supplements, technical assistance, and other forms of support, for any activity where the

⁶ 42 USC 5305(a)(14)

⁷ 24 CFR §570.209

⁸ An enumerated list of eligible activities for CDBG funds can be found at 42 U.S.C §5305 and at 24 CFR 570.201.

⁹ 24 CFR 670.201(c)

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assistance is appropriate to carry out an economic development project, excluding those described as ineligible in §570.207(a)."¹⁰

- **Community-Based Development Organizations (CBDOs)** may receive CDBG funds as grants or loans to carry out a **neighborhood revitalization, community economic development, or energy conservation project**.¹¹
- Additionally, a range of **planning and capacity building activities** are eligible for CDBG funds, including the costs of data gathering, studies, analysis, and preparation of plans and the identification of strategies and actions (including the development of codes, ordinances, and regulations) to implement such plans. This includes activities for comprehensive plans, community development plans, and functional plans in a wide range of areas such as economic development and transportation.¹²

Generally, CDBG grants **cannot be used for operational and maintenance expenses, new housing construction, and income payments** (grant payments made to an individual for food, housing, or utilities.)

However, grantees **may make emergency income payments** to a service provider on behalf of an individual or family for up to 3 consecutive months.¹³ In 2020, HUD issued a waiver extending this period to 6 consecutive months.

Fund Allocation

At least 70% of CDBG grants must be spent on activities that benefit low- and moderate-income people. The remaining 30% may be used on activities to eliminate slum or blighted conditions, or to address an urgent need for which a grantee certifies that it has no other funding.¹⁴

¹⁰ 24 CFR 570.203

¹¹ 24 CFR 570.204,

¹² 24 CFR 570.205

¹³ 24 CFR §570.207, CDBG

¹⁴ 24 CFR 570.200(a)(3).

Disaster Declarations and CDBG Disaster Recovery Assistance (CDBG-DR)

The President has the authority under the Robert Stafford Disaster Relief and Emergency Assistance Act to declare a major disaster for any area which has been affected by damage of sufficient severity and magnitude to warrant major disaster assistance.

Under *The Housing and Community Development Act of 1974*, the Secretary of HUD may suspend requirements for CDBG for HUD grantees in a Presidentially declared disaster area, except for those related to public notice of funding availability, nondiscrimination, fair housing, labor standards, environmental standards, and requirements that activities benefit persons of low- and moderate-income.¹⁵

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¹⁵ Section 122