

Community Development Block Grant Program

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Administering agency: HUD's Office of Community Planning and Development (CPD)

Year program started: 1974

Population targeted: Households with incomes below 80% area median income (AMI)

FY14 funding: \$3.03 billion

Also see: *Consolidated Plan*

The Community Development Block Grant (CDBG) program is a federal program intended to strengthen communities by providing funds to improve housing, the living environment, and economic opportunities, principally for persons with low and moderate incomes. At least 70% of the CDBG funds received by a jurisdiction must be spent to benefit people with low and moderate incomes.

HISTORY

The CDBG program was established under Title I of the Housing and Community Development Act of 1974, which combined several existing programs, such as Urban Renewal and Model Cities, into one block grant. This change was designed to provide greater flexibility in the use of federal dollars.

PROGRAM SUMMARY

The primary objective of the CDBG program is to have viable communities by providing funds to improve housing, the living environment, and economic opportunities principally for persons with low and moderate incomes. The regulations for entitlement jurisdictions are at 24 CFR Part 570, and the states and small cities regulations are at 24 CFR Part 570, Subpart I.

Eligible activities. CDBG funds can be used for a wide array of activities, including: rehabilitating housing (through loans and grants to homeowners, landlords, nonprofits, and developers); constructing new housing (but only by certain neighborhood-based nonprofits); providing down payment assistance and other help for first-time home buyers; detecting and removing lead-based paint hazards; purchasing land and buildings; constructing or rehabilitating public facilities such as shelters for people experiencing homelessness or victims of domestic violence; making buildings accessible to those who are elderly or disabled; providing public services such as job training, transportation, healthcare and child care (public services are capped at 15% of a jurisdiction's CDBG funds); building the capacity of nonprofits; rehabilitating commercial or industrial buildings; and making loans or grants to businesses.

Formula allocation. The program's emphasis on people with low incomes is reinforced by the formulas that determine how much money local jurisdictions and states receive. The formulas are based on factors heavily weighted by the degree of poverty and indicators of poor housing conditions in a jurisdiction. Seventy percent of each annual appropriation is automatically distributed to cities with populations of more than 50,000 and counties with populations of more than 200,000. These are called entitlement jurisdictions. The remaining 30% goes to states for distribution to their small towns and rural counties.

Beneficiaries. At least 70% of the CDBG funds received by a jurisdiction must be spent to benefit people with low and moderate incomes. The remaining 30% can also benefit people with lower incomes, or it can be used to aid in the prevention or elimination of slums and blight (often used by local governments to justify downtown beautification) or to meet an urgent need such as hurricane, earthquake, or flood relief.

Low and moderate income is defined as household income below 80% of the area median income (AMI), which can be quite high. In FY14, for instance, 80% of AMI in Chicago is \$57,900. AMI in some jurisdictions is so high, as in the Lowell, MA, metropolitan area where the AMI is \$90,700, that HUD caps the qualifying household income at the national median income, which in FY14 is \$63,900 for a four-person household.

A CDBG activity is counted as benefiting people with low and moderate incomes if it meets one of four tests:

(1) Housing Benefit. If funds are spent to improve a single-family home, the home must be occupied by a low or moderate income household. In multifamily buildings, at least 51% of the units must be occupied by low or moderate income households. In addition, the housing must be affordable, as defined by the jurisdiction. Jurisdictions' definition of affordability can vary greatly. In FY12, only 24% of CDBG was allocated for some type of housing program. Key housing-related uses included: 12.24% for single-unit rehabilitation; 3.72% for code enforcement; 3.25% for rehabilitation administration; 1.72% for multi-unit rehabilitation; and, 0.48% for new construction. In recent decades about 26% was allotted for some type of housing program, a decline from 35% in CDBG's early decades.

(2) Area Benefit. Some CDBG-eligible projects, such as road and park improvements, can be used by anyone. To judge whether such a project primarily benefits people with lower incomes, HUD looks at the project's service area. If 51% of the residents in the activity's service area are people with lower incomes, then HUD assumes people with lower incomes benefit. The regulations provide several ways to challenge that assumption. The primary challenge is to show that the full range of direct effects of the activity do not benefit people with lower incomes.

(3) Limited Clientele. A service or facility assisted with CDBG funds must be designed so that at least 51% of its users have lower incomes. The three most common ways to meet this test are to: (a) limit participation to people with lower incomes; (b) show that at least 51% of the beneficiaries are lower income; or (c) serve a population that HUD presumes is lower income, including abused children, domestic violence victims, people with disabilities, illiterate individuals, migrant farm workers, and seniors. Advocates can challenge a presumed benefit claim if an activity does not really benefit people with low incomes.

(4) Job Creation or Retention. If job creation or retention is used to justify spending CDBG money, then at least 51% of the resulting jobs on a full-time-equivalent basis must be filled by or be available to people with lower incomes. Available to means either the job does not require special skills or a particular level of schooling, or the business agrees to hire and train people with lower incomes. Those with lower incomes must receive first consideration for the jobs.

Public participation. Every jurisdiction must have a public participation plan that describes how the jurisdiction will provide for and encourage involvement by people with lower incomes. Public hearings are required at all stages of the CDBG process. Hearings must give residents a chance to articulate community needs, review the proposed uses of CDBG funds, and comment on past uses of these funds. There must be adequate public notice to people who are likely to be affected by CDBG-funded projects, and people must be given reasonable and timely access to information. In particular, advocates should get a copy of the draft Annual Action Plan and the latest Grantee Performance Report (GPR). Many jurisdictions will try to deny the public copies of the GPR; it must be made available. The GPR also goes by the name IDIS Report C04PR03 as part of the larger Consolidated Annual Performance and Evaluation Report (CAPER).

FUNDING

The FY14 appropriation for the CDBG formula program is \$3.03 billion, less than the FY13 amount of \$3.08 billion (including sequestration) and less than the President's \$2.8 billion FY14 budget request. The FY14 is a 24% reduction from FY10's \$3.99 billion.

TIPS FOR LOCAL SUCCESS

Because only 70% of CDBG funds must benefit people with low or moderate incomes, and because all of the funding could benefit people with moderate incomes, many of the lowest income households realize little benefit from the program. Locally, people can organize to get 100% of a jurisdiction's CDBG dollars to be used

for activities that benefit people with lower incomes and can strive to have more of the dollars used to benefit people with extremely low incomes.

The public participation process can be used to organize and advocate for more CDBG dollars to be used for the kinds of projects people with lower incomes really want in their neighborhoods, and then to monitor how funds are actually spent. To do this, advocates should obtain and study the jurisdiction's Annual Action Plan, which lists how a jurisdiction plans to spend CDBG funds in the upcoming year, and the Grantee Performance Report (C04PR03), which lists how CDBG money was spent in the previous year. These documents must be available to the public from the staff in charge of CDBG in local jurisdictions.

FORECAST FOR 2014

The Administration's proposed FY15 budget seeks \$2.8 billion for CDBG, a 7.6% reduction from FY14. The Administration will send to Congress a legislative package to make several reforms to the CDBG program. Specifics are not available at the time of publication, but in general the Administration intends to propose: targeting funds to areas of greatest need; reducing the number of small grantees; providing more options for regional coordination, administration, and planning by allowing grantees to band together; and, prohibiting jurisdictions to sell, trade, or otherwise transfer all or any of their entitlement funds to other entities.

FOR MORE INFORMATION

- National Low Income Housing Coalition, 202-662-1530, www.nlihc.org
- HUD's CDBG webpage, <http://1.usa.gov/zG0EkI>, migrating to OneCPD, <https://www.onecpd.info/community-development>
- HUD's Entitlement Cities Division, 202-708-1577, <http://1.usa.gov/AzWYqh>, migrating to OneCPD, <https://www.onecpd.info/cdbg-entitlement>
- HUD's States and Small Cities Division, 202-708-1322, <http://1.usa.gov/AeQ3YQ>, migrating to OneCPD, <https://www.onecpd.info/cdbg-state>