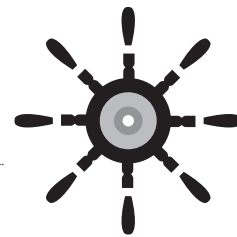


# Community Development Block Grant Program



By Ed Gramlich, Senior Advisor, NLIHC

**Administering agency:** HUD's Office of Community Planning and Development

**Year program started:** 1974

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

**FY16 funding:** \$3 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 (less than 80% of the area median income, AMI).

## 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 local 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. Those 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 AMI, which can be quite high. In FY15, for instance, 80% of AMI in Chicago was \$60,800. AMI in some jurisdictions is so high—as in the Lowell, Mass., metropolitan area where the AMI was \$96,400—that HUD caps the qualifying household income at the national median income, which in FY15 was \$65,800 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. In FY14, only 25% of CDBG was allocated for some type of housing program. Key housing-related uses included 12% for single-unit rehabilitation, 3.5% for rehabilitation administration, 1.9% for multi-unit rehabilitation, and 0.8% for new construction.

(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 will 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 actually 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 have reasonable and timely access to information. In particular, advocates should get a copy of the draft Annual Action Plan of the Consolidated 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.

## FUNDING

The FY16 appropriation for the CDBG formula program is \$3 billion, the same as FY15 but less than the FY14 amount of \$3.03 billion. The FY16 amount is a 25% reduction from FY10's \$3.99 billion. For FY17, the president has requested \$2.8 billion for CDBG.

## 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 low 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 low 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

The administration's proposed FY17 budget would decrease CDBG funding from FY16's \$3 billion to \$2.8 billion in FY17. The administration again is seeking to increase the set-aside for colonias in states along the US-Mexico border (California, Arizona, New Mexico, and Texas) from 10% to 15% of the states' allocations.

## FOR MORE INFORMATION

NLIHC, 202-662-1530, [www.nlihc.org](http://www.nlihc.org)

HUD's CDBG webpage, [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/comm\\_planning/communitydevelopment/programs](http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/programs) which transfers users to HUD Exchange pages such as

The Entitlement Program page <https://www.hudexchange.info/programs/cdbg-entitlement> and

The State Program page <https://www.hudexchange.info/programs/cdbg-state> ■