

Community Development Block Grant Program

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Administering Agency: HUD's Office of Community Planning and Development

Year Started: 1974

Population Targeted: Households with income less than 80% of the area median income (AMI)

Funding: FY20 funding is \$3.4 billion, up slightly from \$3.3 billion in FY19

See Also: For related information, refer to the *Consolidated Planning Process* section of this guide.

The Community Development Block Grant (CDBG) program is a federal program intended to strengthen communities by providing funds to improve housing, living environments, and economic opportunities, principally for persons with low and moderate incomes. At least 70% of CDBG funds received by a jurisdiction must be spent to benefit people with low and moderate incomes (less than 80% of the AMI).

HISTORY

The CDBG program was established under Title I of the "Housing and Community Development Act of 1974," which combined several existing programs, including 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, living environments, and economic opportunities principally for persons with low and moderate income. 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 domestic violence survivors; making buildings accessible to those who are elderly or disabled; providing public services such as job training, transportation, healthcare, and childcare (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 small towns and rural counties.

Beneficiaries

At least 70% of CDBG funds received by a jurisdiction must be spent to benefit people with low and moderate incomes (referred to as "lower-income"). 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 a hurricane, flood, or earthquake relief. Major hurricane, flood, wildfire, or earthquake needs are generally addressed by special congressional appropriations referred to as CDBG-Disaster Relief (DR) that usually have much less rigorous provisions regarding eligible uses and income targeting.

Low- and moderate-income is defined as household income equal to or less than 80% of the AMI, which can be quite high. In FY19, for instance, 80% of the AMI in Chicago was \$71,300. AMI in some jurisdictions is so high (like in the Lowell, MA, metropolitan area where the AMI was \$107,600) that HUD caps the qualifying household income at the national median income, which in FY19 was \$75,500 for a four-person household. However, HUD does adjust upward in high-cost areas such as the Boston metropolitan area which had an AMI of \$113,300 in FY19, allowing CDBG to benefit four-person households with income up to \$89,200.

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 FY19 only 24% of CDBG was allocated for some type of housing program, which is typical. Key housing-related uses included 12% for single-unit rehabilitation, 3% for code enforcement, 3% for rehabilitation administration, 2.0% for multi-unit rehabilitation, 0.4% for new construction, 0.02% lead hazard abatement, and 0.1% for energy efficiency improvements.
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 survivors, 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. Since the creation of the Consolidated Plan (ConPlan) in 1994, the CDBG public participation process is the statutory basis for and is merged into the ConPlan public participation process. To effectively participate in this process, advocates should get a copy of the draft Annual Action Plan of the ConPlan and the latest Grantee Performance Report (GPR). Many jurisdictions will try to deny the public copies of the GPR but it must be made available. The GPR also goes by the name IDIS Report PR03. It is not part of the larger Consolidated Annual Performance and Evaluation Report.

FUNDING

The FY19 appropriation for the CDBG formula program was \$3.3 billion, the same as FY18 but up from FY17. The FY17 amount was a 25% reduction from FY10's \$3.99 billion. For FY20, the president again proposed eliminating CDBG, but the House proposed \$3.6 billion and the Senate proposed \$3.3 billion. The final FY20 appropriation is \$3.4 billion.

FORECAST FOR 2020

The Administration's fall 2019 Regulatory Agenda indicates that it will propose a number of changes to the CDBG regulations, including:

- Expanding the definition of “slums and blight” – something advocates should be very wary of.
- Adding several eligibility provisions.
- Allowing CDBG to be used for targeting emerging markets – something advocates should carefully monitor.
- Modernizing provisions regarding public participation requirements.
- Revising the criteria for national objectives in mixed-use developments – something advocates should be wary of.
- Simplifying the public benefits standards for economic development activities – something advocates should carefully monitor.
- Updating the program's purposes to allow

prioritized funding of projects in Opportunity Zones – something that could foster gentrification and displacement.

- Streamlining the Consolidated Planning process.

TIPS FOR LOCAL SUCCESS

Because only 70% of CDBG funds must benefit people with low or moderate incomes, and because all 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 (income less than 30% of the AMI).

The public participation process can be used to organize and advocate for more CDBG dollars to be used for the types 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 spends CDBG funds in the upcoming year and the Grantee Performance Report (C04PR03), which lists how CDBG money was spent the previous year. These documents must be available to the public from the staff in charge of CDBG in local jurisdictions.

FOR MORE INFORMATION

NLIHC, 202-662-1530, www.nlihc.org

There are two HUD CDBG web platforms. One is the traditional site, https://www.hud.gov/program_offices/comm_planning/communitydevelopment/programs

Most of the information has migrated to the HUD Exchange site: <https://www.hudexchange.info/programs/cdbg>

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