

Community Development Block Grant Program

By Ed Gramlich, Senior Advisor, NLIHC

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: Congress appropriated \$3.3 billion in FY23, the same as FY22 but a decline from \$3.475 billion in FY21 and \$3.4 billion in FY20, reverting back to \$3.3 billion in FY19 and FY18. For FY24, the Administration, Senate, and House each proposed \$3.3 billion. As of the date this *Advocates' Guide* went to press, Congress has not made a final appropriation for CDBG.

See Also: For related information, refer to the *Consolidated Planning Process* section of this *Advocates' 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-income. At least 70% of CDBG funds received by a jurisdiction must be spent to benefit people with low- and moderate-income (equal to or 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 "categorical" programs, including Urban Renewal and Model Cities, into one block grant. This change was intended to provide greater local flexibility in the use of federal dollars.

PROGRAM SUMMARY

The primary objective of the CDBG program is to

support 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 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; the more poverty and the worse the housing conditions, the more CDBG a jurisdiction receives. Seventy percent of each annual appropriation is automatically distributed to cities with a population of more than 50,000 and counties with a population 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 (often 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. See *Disaster Housing Programs* in Chapter 6.

Low- and moderate-income is defined as household income equal to or less than 80% of AMI, which can be quite high. In FY23, for instance, 80% of the AMI in Chicago was \$88,250. AMI in some jurisdictions is so high (like in the Lowell, MA, metropolitan area where the AMI was \$132,400) that HUD caps the qualifying household income at the national median income, which in FY23 was \$94,650 for a four-person household. However, HUD makes upward adjustments in high-cost areas such as the Boston metropolitan area that had an AMI of \$149,300 in FY23, allowing CDBG to benefit four-person households with income up to \$118,450.

A CDBG activity is counted as benefiting people with low and moderate income 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. According to CPD’s “[CDBG](#)

[Activity Expenditure Reports](#)” as for FY23, only 27.6% of CDBG was allocated for some type of housing program, an increase from 26.6% for FY22, and from 24% which was more typical for many years. Key housing-related uses included 12.9% for single-unit rehabilitation, 1.3% for homeowner assistance, 4.4% for rehabilitation administration, 2.3% for code enforcement, 2.7% for multi-unit rehabilitation, 0.74% for public housing modernization, 0.64% for new construction, 0.7% for acquisition for rehabilitation, 1.36% lead hazard abatement (up from a more typical 0.22%), 0.12% for rehabilitation of other publicly owned residential buildings, and 0.1% for energy efficiency improvements.

On October 26, 2023, CPD released [Notice CPD-23-10: Use of CDBG Funds in Support of Housing](#), superseding [Notice CPD-07-08](#). It is an updated reference guide regarding eligible CDBG housing or housing-related activities. Highlights include:

- How CDBG funding can assist with Consolidated Plan development and fair housing planning activities that relate to multiple HUD programs;
 - Ways that CDBG may be used to support resilience planning, rehabilitation, optional relocation, and tornado safe homes; and
 - Changes to the eligibility approach of manufactured housing, simplifying unit purchases and more closely aligning with the HOME program’s approach.
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, CPD looks at a project’s “service area.” If 51% of the residents in the activity’s service area are people with lower income, then CPD assumes people with lower income 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 an 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 income. The three most common ways to meet this test are to: (a) limit participation to people with lower income; (b) show that at least 51% of the beneficiaries are lower income; or (c) serve a population that CPD 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 lower 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 income. “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 income. Those with lower income 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 income. Public hearings are required at all stages of the CDBG process. Hearings must give residents a chance to indicate community needs, review 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 1995 (see *Consolidated Planning Process* in Chapter 8), 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 (CAPER).

FUNDING

Congress appropriated \$3.3 billion in FY23, the same as FY22 but a decline from \$3.475 billion in FY21 and \$3.4 billion in FY20, reverting back to \$3.3 billion in FY19 and FY18. Funding for FY17, 16, and 15 was \$3 billion, 25% reductions from FY10’s \$3.99 billion. For FY24, the Administration, Senate, and House each proposed \$3.3 billion. As of the date this *Advocates’ Guide* went to press, Congress has not made a final appropriation for CDBG.

FORECAST FOR 2024

On January 10, 2023, CPD published proposed changes to the CDBG regulations. According to the preamble, the primary reason for the proposed changes, the first major revisions in more than 20 years, is to make it easier for jurisdictions to promote the use of CDBG for economic development activities. CPD asserts that the existing regulations are obstacles that prevent the use of CDBG for economic development activities. As proposed, the economic development changes would lessen the rigor for meeting the LMI jobs test, potentially making it easier to use CDBG for economic development activities that might fail the statute’s “primary objective” of principally benefiting low- and moderate-income people. The proposed rule also includes many other changes, three affecting housing and two affecting the Consolidated Plan.

TIPS FOR LOCAL SUCCESS

Because only 70% of CDBG funds must benefit people with low or moderate income, and because all funding could benefit people with moderate income, 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 income and can strive to have more of the dollars used to benefit people with extremely low income (income less than 30% of 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 income really want in their neighborhoods and then to monitor how funds are actually spent. To do this, advocates should obtain and study a jurisdiction's Annual Action Plan, which lists how a jurisdiction intends to spend CDBG funds in the upcoming year. Advocates should also obtain the Grantee Performance Report (C04PR03), which should provide a detailed, activity-specific list of 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, in departments with various titles such as "Community Development."

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/cdbg, which recently added an archive of [CDBG policy memoranda](#) that might be useful.
- The other platform is at the HUD Exchange site: <https://www.hudexchange.info/programs/cdbg>.

There are two Entitlement program page platforms:

- One on the traditional site, https://www.hud.gov/program_offices/comm_planning/cdbg/entitlement-program.
- One on the HUD Exchange site, <https://www.hudexchange.info/programs/cdbg-entitlement>.

There are two State program platforms:

- One on the traditional site, https://www.hud.gov/program_offices/comm_planning/cdbg/state.

- One on the HUD Exchange site, <https://www.hudexchange.info/programs/cdbg-state>.

On the HUD Exchange pages, you can find the statute and regulations, FAQs, CPD Notices, and "[Explore CDBG](#)," which has a series of online guides (with brief transcripts). Of particular value are "[Basically CDBG for Entitlements](#)" and "[Basically CDBG for States](#)" which can be opened as PDFs and printed.