

SUMMARY OF ELIGIBLE AND INELIGIBLE CDBG PROGRAM ACTIVITIES

This is a summary of the activities that are eligible and ineligible for assistance under the Community Development Block Grant (CDBG) Program pursuant to the governing regulations of the Code of Federal Regulations, Title 24, Part 570, Sections 570.200-570.207. For a more complete description, the regulations should be consulted.

General Policies - §570.200

The primary objective of the CDBG Program is the development of viable urban communities, by providing decent housing and a suitable living environment, and expanding economic opportunities, principally for persons of low- and moderate- income. Funds must be used so as to give maximum feasible priority to activities, which will carry out one of the three broad national objectives of: (1) benefit to low- and moderate- income families; or (2) aid in the prevention or elimination of slums or blight; or (3) activities designed to meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available to meet such needs. At least 70% of the total CDBG funds must be used for activities that benefit low- and moderate-income persons over a one-, two-, or three-year period; and at least 51% of the beneficiaries of individual activities designed to benefit low- and moderate-income persons must be shown to be of low- and moderate-income.

Basic Eligible Activities - §570.201

- (a) Acquisition in whole or in part by purchase, long-term lease, donation, or otherwise, of real property for any public purpose, subject to the limitations of §570.207.
- (b) Disposition of real property acquired with CDBG funds through sale, lease or donation, or otherwise; or its retention for public purposes.
- (c) Acquisition, construction, reconstruction, rehabilitation or installation of public facilities and improvements, except buildings for the general conduct of government. Activities may include:
 - Design features and improvements which promote energy efficiency; and
 - Architectural design features and treatments intended to enhance the aesthetic quality of facilities and improvements.
 - Eligible facilities include those serving persons having special needs such as homeless shelters; convalescent homes; hospitals; nursing homes; battered spouse shelters; halfway houses for run-away children, drug offenders or parolees; group homes for mentally retarded persons; and temporary housing for disaster victims.
 - In certain cases, non-profit entities and subrecipients (including those specified under §570.204) may acquire title to public facilities; when owned by non-profit entities or subrecipients such facilities must be operated so as to be open for use by the general public during all normal hours of operation.
- (d) Clearance, demolition, removal of buildings and improvements, and movement of structures to other sites. Demolition of HUD-assisted housing units may be undertaken only with the prior approval of HUD.
- (e) Provision of public services (including labor, supplies and materials) such as those concerned with child care, health care, education, job training, public safety, fair housing counseling, recreation, senior citizens, homeless persons, drug abuse counseling and treatment, and energy conservation counseling and testing. The services must meet each of the following criteria:

- A service must either be new or be a quantifiable increase in the level of a service above that which has been provided with state or local funds in the previous twelve calendar months;
 - The amount obligated for public services shall not exceed 15 percent of the annual grant, plus 15 % of the program income received from the previous year.
- (f) Interim assistance to correct objectively determinable signs of physical deterioration in areas where immediate action is necessary and where permanent improvements will be carried out as soon as practicable; or to alleviate emergency conditions threatening the public health and safety and requiring immediate resolution.
- (g) Payment of the non-Federal share required in connection with a Federal grant-in-aid program undertaken as part of CDBG activities.
- (h) Completion of urban renewal projects funded under Title I of the Housing Act of 1949, as amended.
- (i) Relocation payments and assistance to displaced individuals, families, businesses, non-profit organizations, and farm operations.
- (j) Payment to housing owners for losses of rental income incurred in holding units for persons displaced by relocation activities.
- (k) Removal of material and architectural barriers which restrict the mobility and accessibility of elderly and handicapped persons to publicly- and privately-owned buildings, facilities and improvements.
- (l) Acquisition, construction, reconstruction, rehabilitation or installation of the distribution lines and facilities of privately-owned utilities.
- (m) Construction of housing assisted under Section 17 of the United States Housing Act of 1937.
- (n) Direct assistance to facilitate and expand low- and moderate-income homeownership by subsidizing mortgage rates and principal amounts, financing the acquisition of housing occupied by low- and moderate-income persons, acquiring guarantees of financing obtained from private lenders, providing up to 50 percent of down payment, or paying reasonable closing costs. (See National Affordable Housing Act of 1990, Title IX, Subtitle A).

Eligible Rehabilitation and Preservation Activities - §570.20

- (a) Rehabilitation assistance for:
- Privately owned residential buildings and improvements;
 - Low-income public housing and other publicly-owned residential buildings and improvements;
 - Publicly- and privately-owned commercial or industrial buildings; and
 - Manufactured housing, when such housing is considered part of the community's permanent housing stock.
- (b) Financing assistance through grants, loans, loan guarantees, interest supplements, or other means for:
- Private individuals and entities, including profit-making and non-profit organizations, to acquire for the purposes of rehabilitation, and to rehabilitate properties for use or resale for residential purposes;
 - Labor, materials, and other rehabilitation costs, including repair, replacement of principal fixtures and components, installation of security devices, and renovation of existing structures;
 - Loans for refinancing existing indebtedness secured by a property being rehabilitated, if the grantee determines that the financing is appropriate to achieve its community development objectives;

- Improvements to increase the efficient use of energy;
 - Improvements to increase the efficient use of water;
 - Connection of residential structures to water distribution or local sewer collection lines;
 - Initial homeowner warranty premiums, hazard insurance premiums, flood insurance premiums and lead-based paint testing and abatement, for rehabilitation carried out with CDBG funds;
 - Acquisition of tools to be lent to carry out rehabilitation;
 - Rehabilitation services related to assisting participants in CDBG-funded rehabilitation activities (such as rehabilitation counseling, energy auditing, preparation of work specifications, loan processing, and inspection); and
 - Rehabilitation of housing under Section 17 of the U.S. Housing Act of 1937.
- (c) Code enforcement in deteriorating or deteriorated areas where such enforcement, together with public improvements, rehabilitation, and services to be provided, may be expected to arrest the decline of such areas.
- (d) Rehabilitation, preservation or restoration of publicly- or privately-owned historic properties, except for buildings used for the general conduct of government.
- (e) Renovation of closed schools or other buildings for use as an eligible public facility or housing.

Special Economic Development Activities - §570.203

Eligible activities may be carried out as part of an economic development project. In addition, special economic development activities that receive a determination of appropriateness-but not including assistance for the construction of new housing-may be carried out, including:

- (a) Acquisition, construction, reconstruction, rehabilitation or installation of commercial or industrial buildings, structures, and other real property equipment and improvements, including railroad spurs or similar extensions. Such activities may be carried out by the recipient, or public or private non-profit subrecipients.
- (b) The provision of assistance to private for-profit businesses, including, but not limited to, grants, loans, loan guarantees, interest supplements, technical assistance, and other forms of support, for any other activity where the assistance has been determined appropriate to carry out an economic development project -- except for buildings for the general conduct of government, general government expenses, and political activities - provided that such assistance does not unduly enrich the for-profit business. Economic development projects must create or retain jobs for low- and moderate-income persons, prevent or eliminate slums or blight, meet urgent needs, create or retain businesses owned by community residents, assist businesses that provide goods or services to low- and moderate-income residents, or provide technical assistance to promote any of the above activities. To the extent practicable, economic development projects must minimize displacement of existing businesses and jobs.

Special Activities by Subrecipients - 4570.204

- (a) Assistance may be provided to certain eligible subrecipients to carry out a neighborhood revitalization, community economic development, or energy conservation project, including:
- Activities listed as eligible; and
 - Activities not otherwise listed as eligible - except for assistance to buildings for the general conduct of government, general government expenses, and political activities - if the recipient determines that these are appropriate to achieve its community development objectives.
- (b) Recipients are responsible for ensuring that subrecipients comply with all applicable Federal, state, or local laws and requirements; and for carrying out the environmental review and clearance responsibilities.

- (c) Subrecipients eligible to carry out these special activities are:
- Neighborhood-based non-profit organizations;
 - Section 301(d) Small Business Investment Corporations, including those which are profit-making; and
 - Local Development Corporations.

Eligible Planning, Urban Environmental Design and Policy-Planning-Management-Capacity Building Activities - §570.205

- (a) Planning activities such as data gathering, studies, analyses, preparation of plans, and identification of actions that will implement such plans.
- (b) Activities designed to improve the grantee's capacity to plan and manage programs and activities.

Eligible Administrative Costs - §570.20

- (a) Reasonable costs of overall program management, coordination, monitoring, and evaluation, including:
- Staff salaries, wages, and related costs;
 - Travel costs;
 - Administrative services such as general legal, accounting and audit services performed under third-party contracts; and
 - Other goods and services required for administration of the program.
- (b) Provision of information and other resources to residents and citizen organizations.
- (c) Provision of fair housing counseling services and activities.
- (d) (Removed and reserved)
- (e) Indirect costs.
- (f) Preparation of applications for Federal programs.
- (g) (Nullified by NAHA)
- (h) Overall program management of any active Rental Rehabilitation Program or Housing Development Grant Program grants.

Ineligible Activities - §570.207

- (a) Assistance for:
- Buildings used for the general conduct of government;
 - Government expenses; and
 - Political activities.
- (b) Assistance for:
- Purchase of construction equipment; purchase of furnishings and personal property, unless part of public services or necessary for use by a grantee in the administration of the CDBG program;
 - Repairing, operating and maintaining public facilities, improvements and services, except expenses associated with eligible public service activities, interim assistance, and office space for CDBG program staff;
 - New housing construction, except under the special provisions provided at §570.207(b)(3)(i)-(iii); and
 - Income payments.