

SUMMARY OF ELIGIBLE AND INELIGIBLE
COMMUNITY DEVELOPMENT BLOCK GRANT 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. This summary is based upon the Final Rules published in March 1996.

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: benefit to low- and moderate-income families; or aid in the prevention or elimination of slums or blight; or 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; and at least 51% of the beneficiaries of individual activities must be low- and moderate-income persons.

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.
- (b) Disposition of real property acquired with CDBG funds through sale, lease, donation, or otherwise; or its retention for public purposes, including reasonable costs of temporarily managing such property.
- (c) Acquisition, construction, reconstruction, rehabilitation or installation of public facilities and improvements, except buildings for the general conduct of government. Activities may include:
 - Removal of material and architectural barriers that restrict the mobility and accessibility of elderly or severely disabled persons to public facilities or improvements;
 - Design features and improvements which promote energy efficiency;
 - Architectural design features and similar treatments intended to enhance the aesthetic quality of facilities and improvements receiving CDBG assistance.

Eligible facilities include 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.

- (d) Clearance, demolition and removal of buildings and improvements, and movement of structures to other sites.
- (e) Provision of public services (including labor, supplies and materials) such as those concerned with child care, health, education, job training, public safety, fair housing counseling, senior citizens, homeless persons, drug abuse, energy conservation, employment, crime prevention, welfare, homebuyer downpayment assistance, or recreational needs. The services must meet each of the following criteria:
 - A service must either be new or be a quantifiable increase in the level of an existing service above that which has been provided with State or Local funds in the previous twelve calendar months; and
 - The amount obligated for public services shall not exceed 15 percent of the annual grant and of program income received during the immediately preceding program 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.
- (i) Relocation payments and assistance for relocated individuals, families, businesses, nonprofit organizations, and farm operations.
- (j) Payment to housing owners for losses of rental income incurred in holding units for individuals and families displaced by relocation activities.
- (k) Housing services, such as tenant counseling in connection with tenant-based rental assistance and affordable housing projects, energy auditing, preparation of work specifications, loan processing, inspections, tenant selection, management of tenant-based rental assistance, and other services related to assisting owners, tenants, contractors, and other entities participating or seeking to participate in housing activities assisted under title II of the Cranston-Gonzalez National Affordable Housing Act.
- (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 homeownership assistance to low- and moderate-income homebuyers:
1. To subsidize interest rates and mortgage principal amounts;
 2. To finance the acquisition of owner-occupied property;
 3. To acquire guarantees for mortgage financing obtained from private lenders but not to guarantee such mortgage financing directly or provide such guarantees directly;
 4. To provide up to 50 percent of any required downpayment;
 5. To pay reasonable closing costs.
- (o) Microenterprise assistance through the provision of assistance to facilitate economic development by providing credit for the establishment, stabilization and expansion of microenterprises; providing technical assistance, advice and business support service to owners or developers of microenterprises; and providing general support to owners and developers or microenterprises. Training and technical assistance may also be provided.
- (p) Provision of technical assistance to public or nonprofit entities to increase their capacity to carry out eligible neighborhood revitalization or economic development activities.
- (q) Assistance to institutions of higher education to carry out eligible activities.

Eligible Rehabilitation and Preservation Activities -- 570.202

- (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
 - Nonprofit-owned nonresidential buildings and improvements
 - Manufactured housing that is part of the permanent housing stock.
- (b) Financing assistance through grants, loans, loan guarantees, interest supplements, or other means for:
- (1) Private individuals and entities, including profit making and nonprofit organizations, to acquire and rehabilitate, and to rehabilitate properties for use or resale for residential purposes;
 - (2) Labor, materials and other rehabilitation costs, including repair, replacement of principal fixtures and components, installation of security devices, and renovation of existing structures;
 - (3) Loans for refinancing existing indebtedness secured by a property being rehabilitated;
 - (4) Improvements to increase the efficient use of energy;
 - (5) Improvements to increase the efficient use of water;
 - (6) Connection of residential structures to water distribution or local sewer collection lines;

- (7) Initial homeowner warranty premiums, hazard insurance premiums, flood insurance premiums and lead-based paint testing and abatement;
 - (8) Acquisition of tools to be lent to carry out rehabilitation;
 - (9) Rehabilitation services related to assisting participants in rehabilitation activities; and
 - (10) Rehabilitation of housing under Section 17 of the U.S. Housing Act of 1937.
 - (11) Improvements designed to remove material and architectural barriers that restrict the mobility and accessibility of elderly or severely disabled persons.
- (c) Code violations inspections and enforcement to arrest the decline of deteriorating or deteriorated areas.
 - (d) Rehabilitation, preservation or restoration of publicly or privately owned historic properties.
 - (e) Renovation of closed school or other buildings for use as an eligible public facility or for housing.
 - (f) Lead-based paint hazard evaluation and reduction.

Special Economic Development Activities -- 570.203

Activities that are listed as eligible may be carried out as part of an economic development project. In addition, special economic development activities that are necessary or appropriate to carry out an economic development project--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 nonprofit 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 activity where the assistance is appropriate to carry out an economic development project -- except for buildings for the general conduct of government, general government expenses, and political activities.
- (c) Economic development services including, but not limited to, outreach efforts to market available forms of assistance; screening of applicants; reviewing and underwriting applications for assistance; preparation of all necessary agreements; management of assisted activities; and the screening, referral and placement of applicants for employment opportunities generated by CDBG-eligible economic development activities, including the costs of necessary training.

Special Activities By Community-Based Development Organizations (CBDOs) -- 570.204

- (a) Assistance may be provided 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 -- excluding, buildings for the general conduct of government business, general government expenses, and political activities.
- (b) Activities must: (1) meet the public service requirements although services specifically designed to increase economic opportunities through job training and placement and other employment support services; (2) meet the requirements of the guidelines for evaluating and selecting economic development projects under Section 570.209; and (3) must not result in the recipient exceeding the 20% limit on planning and administrative costs.
- (c) Eligible entities are:
- (1) Non-profit or for-profit associations or corporations organized to engage in community development activities primarily within an identified geographic area and whose primary purpose is the improvement of the physical, economic or social environment.
 - (2) Section 301(d) Small Business Investment Companies, including those which are profit making; State or Local Development Companies; or Community Housing Development Organizations.
 - (3) Organizations similar in purpose, function and scope.

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 to implement plans.
- (b) Activities

Program Administration Costs -- 570.206

- (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 services.
- (d) (Removed and Reserved)
- (e) Indirect costs.
- (f) Preparation of applications for Federal programs.
- (g) Necessary administrative expenses in planning or obtaining financing for housing units which are identified in the HUD approved Housing Assistance Plan.
- (h) Overall program management of the Rental Rehabilitation and Housing Development programs.
- (i) Overall program management of:
 - (1) A Federally designated Empowerment Zone or Enterprise Community; and
 - (2) The HOME program under title II of the Cranston-Gonzalez Affordable Housing Act.

Ineligible Activities -- 570.207

- (a) Assistance for:
 - Buildings used for the general conduct of government
 - General government expenses; and
 - Political activities.

- (b) Assistance for:
 - Purchase of construction equipment, fire protection equipment, furnishings and personal property;
 - Repairing, operating and maintaining public facilities, improvements and services;
 - New housing construction; and
 - Income payments.

except when carried out as a special economic development activity, or as a public service, or by an eligible community-based development organization, or by the recipient as specifically authorized.