

**COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
and
DISCRETIONARY GRANTS**



PROGRAM GUIDELINES AND APPLICATION

2010 – 2011



**23 Russell Blvd., Suite 5
Davis, CA 95616
(530) 757-5626**



January 6, 2010

Dear Prospective Applicant(s):

The City of Davis is requesting proposals for services and projects qualifying under the following program(s):

**2010-2011 COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
PROGRAM AND ALL OTHER REQUESTS FOR DISCRETIONARY FUNDS**

Background

The City of Davis is an entitlement city in its twenty-fifth year of participation in the U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) Program. During this time, nearly \$20 million has been awarded to the city. The grant funds have assisted very-low, low and moderate-income persons/households by providing much needed services, housing and facilities. The City Council, Social Services Commission, and staff review all requests for funding of CDBG projects during the city's annual "Proposal Review" cycle.

Available funding

The CDBG program year runs from July 1, 2010 through June 30, 2011. The City of Davis is anticipating an allocation of approximately **\$809,087** in CDBG funds for the program year. Given the current economic climate, it is unknown how these allocations could change in the upcoming year. It is likely that they could decrease if funds are directed towards other federal programs. Of that, a maximum of twenty percent, or approximately **\$161,817** may be reserved for city fair housing activities, CDBG program administration and other special planning projects. The city may choose to allocate less than the total allowable. In addition, the City Council may consider requests for discretionary grants from groups that do not qualify for CDBG funds. There is no budget line item for non-CDBG eligible projects and no guarantee that funds will be available.

Significant Application Change

The Social Services Commission aids the Davis City Council in making funding decisions for the use of CDBG and HOME funds. In 2003, the Commission requested that the main body of the CDBG and HOME grant proposals be limited to four pages as shown in the CDBG Grant Application (see Section 7.) The Commission believes that the combination of a four page proposal, illustrative attachments, applicant presentations, and applicant responses to written questions give the commissioners adequate information on which to make funding decisions.

City staff recognizes that most grant applications are currently prepared using word processors. As a result, the application has been developed in a similar format that can easily be followed using a standard word processor. Application worksheets and complete instructions can be found in Section 6 of the Program Guidelines. The worksheets and instructions will help guide you through the process of completing the actual grant application in Section 7. To aid applicants in meeting the four-page limitation, the directions and instructions have been deleted from the actual grant application. While the body of the application will be limited to four pages (excluding the performance schedule and budget), applicants may adjust the spacing as necessary to adequately describe their project. Attachments may be included with the proposal, however they should not be a continuation of the proposal narrative. Instead, they should be illustrative of a point made in the proposal, clearly marked as an attachment and should not be cumbersome. The application format will be discussed in detail at the applicant workshop on January 14, 2010.

Funding Limitations

The federally funded Community Development Block Grant program limits the amount of funds that can be spent in two categories, Public Service and Administration. The total of all public service contracts cannot exceed 15% of the total grant, or **\$121,363**. Administration (or related activities) cannot exceed 20% of the total grant, or **\$161,817**. Thus, approximately 65% of the total grant can be spent for "other activities" as listed in Section 9 of the Program Guidelines.

Each year the Social Services Commission reviews and approves the "critical needs" funding criteria for the CDBG program. Prior to developing your proposal, city staff urges each potential applicant to carefully consider whether or not their program meets a critical need. (See Section 8 of the Program Guidelines.) The city will not consider any grant requests smaller than \$3,000.

The federal government also limits the activities that can receive CDBG funding. Organizations with questions about the eligibility of a project are strongly encouraged to contact city staff for technical assistance and guidance.

Evaluation Criteria

The City Council approves the criteria to be used by staff and commissioners in evaluating funding requests. This criteria is included in Section 3 of the Program Guidelines. Please note the "absolute thresholds" within the evaluation criteria for the CDBG program. All proposals must benefit Davis residents and at least 70% of those beneficiaries must be very-low, low/moderate income persons/households. Projects that do not meet the funding requirements must be disqualified from funding consideration. City staff will assist organizations in evaluating project eligibility and can be contacted for technical assistance at any time before the application deadline. Grant proposals that do not meet the very-low, low/moderate income persons/households criteria may be considered under a separate category by the City Council.

Application Process

An "Applicant Workshop" will be held to provide an opportunity for all potential applicants to ask questions about the overall CDBG program, evaluation criteria, proposal process, etc. The workshop will be held:

Thursday, January 14, 2010
10:00am – 12:00pm
Veterans Memorial - Game Room
203 W 14th St.
Davis, CA 95616

An original, plus twenty-five (25) copies of the proposal must be received by the City of Davis Community Services Department **no later than 5:00pm on Friday, February 5, 2010**. Proposals received after this date **will not** be accepted. No exceptions will be granted. In addition, you will be required to submit your application either on disk or electronically via e-mail to Darlene Merschat at dmerschat@cityofdavis.org. **DO NOT staple, hole punch or attach a cover sheet. The copies should be separated by a paperclip.**

Please **mail** or **submit** your proposal in person to:

Attn: Patrick Conway
City of Davis
Community Services Department
23 Russell Blvd., Suite 5
Davis, CA 95616

Funding levels, project categories and recipients will be determined by the City Council on **April 20, 2010**. (See the schedule in Section 2 for all pertinent dates.) Decisions by the City Council are conditional upon the successful completion by the city of the project's environmental review and final approval from HUD.

Letters of Support

In December 1993, the City Council decided that "Letters of Support" would not be accepted in support of grant proposals. Applicants should address community support, the need for the project and the effectiveness of the organization in the proposal narrative. No letters should be sent with the proposal, or to individual Council members.

Program Guidelines

The Program Guidelines are divided into the following sections:

- Section 1: Introduction and Fact Sheet
- Section 2: 2010-2011 Grant Program Schedule
- Section 3: Evaluation Criteria to be used by Commissioners and Staff
- Section 4: Income Guidelines
- Section 5: Insurance and Bonding Requirements
- Section 6: CDBG Program and Discretionary Grants
Application Worksheets and Instructions
- Section 7: CDBG Program and Discretionary Grants Application Form
- Section 8: City of Davis Critical Needs
- Section 9: HUD Eligible Activities and HUD National Objectives

Once again, if you have any questions or if city staff can be of any assistance, please feel free to contact Patrick Conway at pconway@cityofdavis.org or (530)757-5626 ext.7352.

Sincerely,

Danielle Foster

Housing and Human Services Superintendent

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CDBG Program and Discretionary Grants Application Worksheets
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CDBG Program and Discretionary Grants Application Forms

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City of Davis Critical Needs

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HUD Eligible Activities

HUD National Objectives

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SECTION 1

INTRODUCTION

FACT SHEET

INTRODUCTION

The "Program Guidelines" packet is designed to aid your organization in applying for Community Development Block Grant (CDBG) and Discretionary Grant funds. Many of the elements of this packet are similar to guidelines from past years. However, a few changes have been made and include:

1. An updated Critical Needs List;
2. Contact person(s) for City of Davis grant application inquiries:

DANIELLE FOSTER Housing and Human Services Superintendent (530) 757-5626, ext. 7372	PATRICK CONWAY Administrative Analyst II (530) 757-5626 ext. 7352
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3. An updated fact sheet summarizing the CDBG program;
4. Continued provision for City Council consideration of Non-CDBG Eligible Proposals

The City Council has tried to simplify all grant applications. Organizations are encouraged to try to qualify for funding under the CDBG guidelines (services to very-low, low- and moderate income persons/households in specific housing, economic development and public service programs.)

Some organizations meeting a critical need may not qualify for CDBG funding under the guidelines. However, the City Council still encourages these organizations to apply during this cycle as some discretionary funds may become available for distribution to community groups.

Reduced city budgets have limited the availability of discretionary grant funds for fiscal year 2010-2011.

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM FACT SHEET

Summary: The Community Development Block Grant (CDBG) program grants federal funds through the Department of Housing and Urban Development (HUD) to cities to implement a number of community development, housing and social service projects. The City of Davis has been granted nearly \$20 million since 1984 and has awarded grants to over 40 unduplicated non-profit and governmental agencies.

Who is eligible for CDBG funds? The city has many options for implementing the CDBG program. The city can grant all or a portion of the funds to projects implemented by existing city staff; the city can grant all or a portion of the funds to projects administered primarily through "non-profit" community groups; or the city can grant funds to "for-profit" businesses to implement special economic development projects. In Davis, housing and other community development activities are primarily administered through "non-profit" community groups.

What type of activities are CDBG funded? There are many options for using CDBG funds. Eligible activities/projects/programs may fall within the following categories: Acquisition of Real Property, Disposition of Property, Public Facilities and Improvements, Privately-owned Utilities, Clearance of Property, Public Services, Interim Assistance, Relocation of Tenants and Property, Loss of Rental Income Projects, Removal of Architectural Barriers, Housing Rehabilitation, New Housing Construction, Code Enforcement, Historic Preservation, Commercial or Industrial Rehabilitation, Special Economic Development, Special Activities by Sub-Recipients, Planning and Capacity Building, Program Administration, and Other Activities.

Who benefits from CDBG Projects? The primary beneficiaries of CDBG funded projects are the very-low, low and moderate-income person(s) and household(s.) In Davis, at least 70% of the activities of a project must serve this population. CDBG grantees have reported that they also benefit from the grant funds and from some of the technical assistance they receive from CDBG staff.

Who decides how CDBG funds are distributed? In Davis, the Social Services Commission reviews the proposals and makes funding recommendations to the City Council. The City Council reviews the requests, reviews the Commission funding recommendations and makes the funding decisions to HUD for the use of our CDBG award. HUD reviews the council's funding decisions and must approve the projects and funding levels made by the Council. During the review process, there are many opportunities in place for public input. Applicants make oral presentations to the City Council and Social Services Commission and at least three public hearings are held. In addition, representatives of community organizations serve on working groups to develop the Request for Proposals.

How can I find out more about the CDBG Program? The program is managed through the Community Services Department by the Administrative Analyst II, Patrick Conway. For information, please contact Patrick at (530) 757-5626 ext. 7352.

Copies of the Request for Proposals (RFP) for FY 2010-2011 are available at city offices located at, 23 Russell Blvd., or online at www.cityofdavis.org/cs/cdbg/. To request a copy by mail, please call Darlene Mersch at (530) 757-5626 ext. 7328 with your request.

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SECTION 2

2010 - 2011

GRANT PROGRAM

SCHEDULE

**COMMUNITY DEVELOPMENT BLOCK GRANT
AND HOME PROGRAM SCHEDULE**
(Dates Subject to Change)

November 16, 2009	Commission approval of Critical Needs List
December 08, 2009	Council approval of RFP packet and release (Public Hearing)
January 06, 2010	RFP released
January 14, 2010	Applicant Workshop (Applicant participation is requested)
February 05, 2010	Proposals Due to the Community Services Department staff no later than 5:00pm (Postmark will <i>not</i> be accepted).
February 18, 2010	Staff, Commission and Council receive proposals
March 01, 2010	Applicant presentations before Social Services Commission (Public Hearing) <ul style="list-style-type: none">▪ Commission and City Council review applications and submit requests for additional information▪ Staff follow-up to Commission and Council requests▪ Hearing about proposed one year plan
March 08, 2010	Applicant responses due no later than 5:00pm
March 11, 2010	Staff recommendations to Commission
March 11, 2010	Senior Citizens Commission review and recommendations to Social Services Commission on senior-specific application
March 15, 2010	Commission proposal/funding deliberations Commission makes funding recommendations
April 09, 2010	Funding recommendations sent to City Council; Staff report available for review
April 20, 2010	Council makes funding decisions (Public Hearing)
May 14, 2010	One-Year Action Plan sent to HUD
May 15 through June 30, 2010	HUD review and approval of One-Year Action Plan
July 1, 2010	CDBG/HOME program year begins

SECTION 3

COPY OF EVALUATION CRITERIA
TO BE USED BY THE
CITY COUNCIL, SOCIAL SERVICES
COMMISSION AND STAFF

2010-2011 CDBG EVALUATION CRITERIA

ABSOLUTE THRESHOLD (If the answer is no to any of these five criteria after staff follow up, then the proposal will **not** be recommended for CDBG funding. However, city staff may be making funding recommendations about all grant requests, regardless of CDBG qualification.)

	<u>YES</u>	<u>NO</u>
1. Was the proposal complete?	___	___
2. Is the proposal an eligible activity according to CDBG regulations? <i>24 CFR 570.201</i>	___	___
3. Does the proposal comply with the CDBG National Objective of benefit to low and moderate income persons/households? <i>24 CFR 570.208(a)</i>	___	___
4. Is the organization an eligible sub-recipient/sub-grantee according to the CDBG regulations?	___	___
5. Do Davis residents benefit in (at least) the same percentage of CDBG contribution to the overall project and are at least 70 percent of those benefiting low/moderate-income persons/household?	___	___

BENEFIT

- 6. How many **Davis** persons/households will benefit? (How does this compare to other proposals?)
- 7. What percentage of the beneficiaries are very-low, low/moderate-income **Davis** persons/households? (How does this compare to other proposals?)
- 8. What is the cost per beneficiary? (How does it compare to other proposals?)
- 9. Are the beneficiaries already receiving a large or disproportionate share of public support?

NEED

- 10. Is the need documented?
- 11. Does the proposal respond to a critical need as identified on the Critical Needs List?
- 12. Does the proposal respond to one or more of the additional indicators as identified on the Critical Needs List?

PROGRAM DESIGN

13. Is the proposed program adequately described?
14. Are the services/activities/projects described in quantifiable terms?
15. Is the Performance Schedule consistent with the Scope of Services?

BUDGET/FUND LEVERAGING

16. Does the budget appear cost-effective and provide sufficient information?
17. Have funds from other sources been leveraged?
18. Have program services increased? Does it appear that the program is depending upon CDBG funds for continuation?

ORGANIZATIONAL CAPACITY

19. Does it appear that the organization is capable of implementing the program?
20. Are the organization's accounting/administrative systems adequate to meet CDBG requirements, OMB circulars, etc.?

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SECTION 4

INCOME GUIDELINES TO DETERMINE SERVICE
TO VERY-LOW AND LOW-MODERATE INCOME
PERSONS / HOUSEHOLDS

INCOME GUIDELINES (Effective 3/19/09)
(Subject to Change for the 2010-2011 Program Year)

These figures should be the basis of your organizations responses to questions about the benefits of your service(s) to very-low, low and low-moderate income persons/households:

(Maximum Yearly Income)				
Program	80% of Median	60% of Median	50% of Median	30% of Median
CDBG	Moderate Income		Low-Income	Extremely Low-Income
HOME	Low-Income	“60% Limit”	Very-Low Income	Extremely Low-Income
# in Household				
1	40,650	30,480	25,400	15,250
2	46,500	34,860	29,050	17,450
3	52,300	39,180	32,650	19,600
4	58,100	43,560	36,300	21,800
5	62,750	47,040	39,200	23,550
6	67,400	50,520	42,100	25,300
7	72,050	54,000	45,000	27,050
8	76,700	57,480	47,900	28,800

These guidelines are provided by HUD for use in the CDBG/HOME programs. These limits determine income eligibility and program benefits to 30% of median yearly income, 50% of median yearly income, 60% of median yearly income and 80% of median yearly income persons. These figures are based on the Primary Metropolitan Statistical Area (PMSA) median yearly income.

The **2009 Median Family Income** for Yolo County (PMSA) is **\$72,600**.

The effective date of these income guidelines is March 10, 2009. These guidelines may change within the first quarter of each year.

References:

The federal Consolidated Plan regulations Section 91.305 Subpart D refer to the extremely low-income target group, the 30% level, used in both HOME and CDBG programs.

For CDBG, 24 CFR 570.3 describes that HUD’s income limits for the 50% and the 80% income levels are CDBG Low- and Moderate-income limits, respectively.

For HOME, 24 CFR 92.216 establishes what is called the “60% limit.” HOME income limits for the 50% and 80% levels are called Very Low- and Low-income, respectively.

SECTION 5

INSURANCE AND BONDING
REQUIREMENTS

INSURANCE AND BONDING REQUIREMENTS

As part of the City of Davis' self-insurance system, city sub-recipients/grantees need to comply with all insurance and bonding requirements.* Prior to acceptance of the first invoice and processing of reimbursement, each sub-recipient/grantee must provide the city with copies of the following for approval:

1. Worker's Compensation Insurance

- Policy shall provide that no cancellation, major change or expiration shall become effective until to least **ten (10) days receipt of written notice by the city.**

2. General Liability and Property Damage

- For the period covered by the contract in the amount of \$1,000,000 per occurrence combined single limit coverage.
- To include (and not be limited to) protection against claims arising from bodily and personal injury, including death resulting there from, and damage to property resulting from activities contemplated under the contract, and use of owned and non-owned automobiles.
- To provide notice be given the city at least 30 days prior to cancellation or material change. Cancellation clause on Certificate of Insurance to read as follows: **"Should any of the above described policies be cancelled before the expiration date thereof, the issuing company will mail 30 days written notice to the certificate holder named to the left."**
- Required endorsements: policy must cover personal injuries as well as bodily injuries (exclusion of contractual liability must be eliminated from the personal injury endorsement); policy must cover contractual liability by amending the definition of incidental contract to include any written contract, and the city (including its officers and employees) shall be named as additional insured.

3. Fidelity Bond

- To cover any officers, employees or agents of sub-recipient/grantee handling, or having access to funds, or authorization to sign or countersign checks.
- To cover full amount of CDBG/HOME award.
- Bond shall not be canceled or modified except upon **30 days written notice to the city.**

The city grants staff will review and send each document to the city attorney, who may return the certificate requiring specific changes before approval is given.

*The council may try to develop an alternative policy for small grant projects.

SECTION 6

CDBG AND DISCRETIONARY GRANTS
APPLICATION WORKSHEETS AND INSTRUCTIONS

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2010-2011 CDBG APPLICATION WORKSHEETS AND INSTRUCTIONS

(Note: These worksheets contain instructions and notes to be used to complete the application, but should not be used as the application itself. Application forms are in Section 7 of this guide, available on disk (upon request), and on the City of Davis website located at www.cityofdavis.org/cs/cdbg.

Organization Name: _____

Street Address: _____

Mailing Address: _____

E-mail Address: _____

Phone Number: _____

Fax Number: _____

Contact: _____ Address: _____ Phone: _____

(Be sure to list the **best contact** to get information to the organization as quickly as possible.)

Total Proposal Request: \$ _____

(Check one) _____ On-going Support _____ New Project

CDBG Eligible Category: _____

(See List A)

National Objective Compliance/Low and Mod Benefit: _____

(See List B)

City Council Identified Critical Needs: (See List)

1) _____

2) _____

3) _____

_____ PUBLIC SERVICE _____ NON-PUBLIC SERVICE

Beneficiary Information:

_____ Total number of beneficiaries in program

_____ Number of beneficiaries in program to be served with **CDBG** funds

_____ Percentage of the **CDBG** beneficiaries with low/moderate income

_____ Cost (\$) per **CDBG** beneficiary (CDBG Request/CDBG Beneficiaries)

SCOPE OF SERVICES

- a. **Project Description** Describe the proposed service/activity/project to be carried out with the funds requested. If the proposed project is ongoing, specify why the funds are needed to serve low and moderate-income persons. Discuss the cost-per-beneficiary in relation to private and other organizations delivering similar services. Please note what proportion of the proposed budget will support direct services to homeless people. CDBG funds can only be used for expenditures which directly benefit CDBG-eligible clients.

- b. **Target Group** Quantify the number of low- and moderate-income persons/households to be assisted per service/activity/project.

- c. **Outreach** Discuss outreach efforts for the proposed service/activity/project.

PERFORMANCE SCHEDULE

On a separate page, prepare a Work Plan for implementation/completion of the services and activities identified in the Scope of Services. In addition, you will be required to indicate performance measurements as they relate to the activities of your project. A suggested format is included on the following page.

PROJECT BUDGET

On a separate page, prepare a budget summarizing the use of proposed CDBG funding and all other resources available for the project. A suggested budget summary worksheet is included in the following pages. A budget summary for capital projects is also attached. Please revise the form and annotate budget items as they relate to your project.

PERFORMANCE SCHEDULE

(Prepare a Work Plan for implementation/ completion of the services and activities identified in the Scope of Services)

Work Plan (Identify activities and completion dates)

List Activity

Completion Date

PERFORMANCE MEASUREMENTS

(List major activities, the direct product/service numbers for each activity and the direct outcome/benefit of the activity.)

ACTIVITY (What the program does to fulfill its mission)	INDICATOR (The direct products of program activities) Service #s	OUTCOME (Benefits that result from the program)
<p>Example: Provide nutritious, home delivered meals to homebound seniors in Davis</p>	<p>Example: Deliver nutritious, “hot” meals to at least 88 homebound seniors in Davis</p>	<p>Example: Improved access to nutritional, well-balanced meals for program participants</p> <p>Improved quality of life for program participants</p>
<p>Example: Pediatric health care for “sick,” low/moderate income children in Davis without any form of health coverage</p>	<p>Example: Provide pediatric health care to at least 97 “sick,” low/moderate income children in Davis without any form of health coverage</p>	<p>Example: Improved access to healthcare for program participants</p> <p>Improved quality of life for program participants</p>

**CITY OF DAVIS
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM**

*BUDGET SUMMARY FOR PROPOSED PROJECT**

Budget Category	Proposed Project “CDBG Portion”	Other Sources	Total
A. Salaries and Wages			
B. Fringe Benefits			
C. Consultant/Contract Services			
TOTAL PERSONNEL BUDGET			
D. Office Rent			
E. Utilities			
F. Telephone			
G. Office Supplies			
H. Equipment			
I. Printing/Duplication			
J. Travel/Conferences			
K. Other (Specify)			
TOTAL NON-PERSONNEL BUDGET			
TOTAL PROJECT BUDGET			

*** Please revise this form and annotate budget items as needed**

NEW REQUIREMENTS: All applicants are requested to submit a copy of their organizations Operating Budget.

**CITY OF DAVIS
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM**

CAPITAL PROJECT BUDGET SUMMARY*

<i>Budget Category</i>	Proposed Project	Other Sources	Total
Project Development Wages and Salaries Fringe Benefits Materials Other Costs			
Land Acquisition			
Design Consulting Fees Materials Other Costs			
Final Development Wages and Salaries Fringe Benefits Materials Soft Costs Carrying Costs Fees Permits Other Costs			
Renovation or Construction Electrical Plumbing Heating Interior Rehabilitation Exterior Rehabilitation Grounds Improvements Framing Rough Finish			
Maintenance Grounds Other Maintenance			

* **Please revise this form and annotate budget items as needed**

CDBG ELIGIBILITY LISTS

List A:

From the following list, please choose the “**CDBG Eligible Activities Category**” for the proposed project and enter the eligible category on Page 1 of the Application. See Section 9 - Eligible Activities for a more detailed description.

CDBG Eligible Activities Categories

- _____ Public Service
- _____ Public Facilities/Improvements
- _____ Housing/Special Activities by Sub-recipients
- _____ Special Economic Development
- _____ Acquisition of Real Property
- _____ Other, specify _____

List B:

From the following list, please choose the “**National Objective Compliance/Low-Mod Benefit**” for the proposed project and enter the category name on Page 1 of the Application. See Section 9 - National Objectives for a more detailed description.

“National Objective Compliance/Low-Mod Benefit”

- _____ Area Benefit
- _____ Limited Clientele
- _____ Housing

List C:

Please choose up to three of the City Council Identified Critical Needs and enter these Critical Needs on Page 1 of the Application.

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SECTION 7

2010-2011

COMMUNITY DEVELOPMENT BLOCK GRANT
APPLICATION FORM

CITY OF DAVIS
2010-2011 COMMUNITY DEVELOPMENT BLOCK GRANT APPLICATION

Organization Name: _____

Street Address: _____

Mailing Address: _____

E-mail Address: _____

Phone Number: _____

Fax Number: _____

Contact: _____ Address: _____ Phone: _____

(Be sure to list the **best contact** to get information to the organization as quickly as possible.)

Total Proposal Request: \$ _____

(Check one) _____ On-going Support _____ New Project

CDBG Eligible Category: _____

(See List A)

National Objective Compliance/Low and Mod Benefit: _____

(See List B)

City Council Identified Critical Needs: (See List C)

1) _____

2) _____

3) _____

PUBLIC SERVICE _____

NON-PUBLIC SERVICE _____

Beneficiary Information:

_____ Total number of beneficiaries in program

_____ Number of beneficiaries in program to be served with **CDBG** funds

_____ Percentage of the **CDBG** beneficiaries with low/moderate income

_____ Cost (\$) per **CDBG** beneficiary (CDBG Request/CDBG Beneficiaries)

PROJECT NARRATIVE

a. Need

b. Benefit

c. Other Resources and Collaboration

d. Organizational Capacity

SCOPE OF SERVICES

a. Project Description (Activity Summary: Describe the activities of the proposed budget)

b. Target Group

c. Outreach

PERFORMANCE SCHEDULE

Work Plan (Identify activities and completion dates)

List Activity

Completion Date

PERFORMANCE MEASUREMENTS

ACTIVITY (What the program does to fulfill its mission)	INDICATOR (The direct products of program activities) Service #s	OUTCOME (Benefits that result from the program)

**CITY OF DAVIS
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM**

*BUDGET SUMMARY FOR PROPOSED PROJECT**

Budget Category	Proposed Project "CDBG Portion"	Other Sources	Total
A. Salaries and Wages			
B. Fringe Benefits			
C. Consultant/Contract Services			
<i>TOTAL PERSONNEL BUDGET</i>			
D. Office Rent			
E. Utilities			
F. Telephone			
G. Office Supplies			
H. Equipment			
I. Printing/Duplication			
J. Travel/Conferences			
K. Other (Specify)			
<i>TOTAL NON-PERSONNEL BUDGET</i>			
TOTAL PROJECT BUDGET			

*** Please revise this form and annotate budget items as needed**

NEW REQUIREMENTS: All applicants are requested to submit a copy of their organization's Operating Budget.

**CITY OF DAVIS
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM**

*CAPITAL PROJECT BUDGET SUMMARY**

Budget Category	Proposed Budget	Other Sources	Total
Project Development Wages and Salaries Fringe Benefits Materials Other Costs			
Land Acquisition			
Design Consulting Fees Materials Other Costs			
Final Development Wages and Salaries Fringe Benefits Materials Soft Costs Carrying Costs Fees Permits Other Costs			
Renovation or Construction Electrical Plumbing Heating Interior Rehabilitation Exterior Rehabilitation Grounds Improvements Framing Rough Finish			
Maintenance Grounds Other Maintenance			
TOTAL PROJECT BUDGET			

* Please revise this form and annotate budget items as needed.

SECTION 8

CRITICAL NEEDS

**CRITICAL NEEDS LIST
CDBG & HOME Program
Program Year 2010-2011**

PUBLIC SERVICE

The basic human needs of low-income Davis residents are of highest priority. While preventive and administrative services are valued and encouraged, these services will receive less funding priority during the 2010-2011 program year. Critical Needs as identified below will be ranked according to the immediacy of the need, with direct services getting the highest priority.

DIRECT SERVICES

Health Care:

- Basic healthcare for uninsured youth and families.
- Transportation to improve access to basic health care for frail elder adults.
- Residential care for frail low income elder adults.

Programs to support Independent Living and prevent institutionalization:

- In-home care, respite, meals, hospice, transportation, and adult day care.
- Elder counseling services.
- Elder care coordination collaboration to place elder adults in the appropriate living environment; case worker/ social worker services to support transitional and supportive housing needs.
- Visitor support services for homebound elder adults.
- Transportation services for frail elderly and disabled individuals.
- Assistance to low income young adults leaving foster care for independent living.
- Crisis intervention.

Homeless Services:

- Emergency shelter; transitional housing and services; short-term loans;
- Housing counseling;
- Short-term assistance to fill gaps caused by reduced federal emergency funding;
- Assistance to low income young adults leaving foster care for independent living;
- Supportive housing services for home bound frail elderly and disabled individuals.

Hunger Services:

- Emphasis on homeless, elder adults and very-low income residents.
- Food distribution, congregate meals, home-delivered meals to low income, homebound individuals.

INDIRECT (PREVENTION AND EDUCATION) SERVICES

Mental Health Services:

- Socialization for chronically mentally-ill and disabled residents; employment programs.

Health Services:

- Health screening, education and outreach services;

Elder Services:

- Elder abuse prevention services;
- Elder care giver support and education services;
- Elder self-sufficiency education services including money management;

Child and Youth Services:

- Care for preschool children;
- Child abuse prevention and counseling services;
- Youth drug and alcohol abuse prevention and counseling services.

NON-PUBLIC SERVICE

Highest Priority will be given to housing projects serving very-low income persons/households.

Housing: Development of affordable housing units. *Target:* Very low-income, physically, mentally and developmentally disabled and elderly residents. *Rental Subsidy:* Proposals are encouraged for very low-income families, for temporary subsidy to prevent homelessness and for transition of adults from homelessness to permanent housing and permanent employment. *Accessibility:* Projects which develop more fully accessible residential units and projects which increase the visitability of all Davis residences. *Sustainability:* Mobile Home Rehabilitation for low-income residents.

Physically Disabled: Removal of architectural barriers. Emphasis on widely-used public facilities.

Public Facilities: Facilities used for services listed as critical needs and for community-wide services, as needed.

Neighborhood Revitalization: Activities to improve housing, economic development and community services in areas with 50% or more of the residents qualifying as low-income.

In addition, *organizations which are highly rated on the following indicators* should receive preference:

1. Clients are very-low and low-income (50% of median income and below.)
2. Organization leverages a high level of:
 - a. Funds from community and other private sources. Applicants demonstrate efforts to secure funding from other sources and decrease in reliance on City grant funds.
 - b. Volunteers in support of proposed activity.
3. Low “cost-per-beneficiary” in relation to private and other organizations delivering similar services.
4. Organization fills a unique niche among clients who are not currently served, or are under-served. This includes new programs and new initiatives.
5. Collaboration with other agencies is expected. Applicants should submit evidence of collaboration in their written proposals.
6. Projects that meet or exceed previous year service grants.

GENERAL POLICIES

The following are general policies will be applicable to all CDBG and HOME grant awards made by the City:

- An application must request the minimum amount of \$3,000 to be considered eligible for funding.
- Final grant awards will be made in rounded amounts to the greatest extent feasible. Grant awards will not exceed the requested amount stated in the application

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SECTION 9

HUD ELIGIBLE ACTIVITIES
HUD NATIONAL OBJECTIVES

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CHAPTER 1 – ELIGIBLE ACTIVITIES

PURPOSE

This chapter describes in detail the many types of activities which may be assisted using CDBG funds. The purpose of this chapter is to help ensure that grantees will use CDBG funds only for eligible activities and will properly classify activities by type. The importance of using CDBG funds only for eligible activities is self-evident. The proper classification of activities is also important because the applicable statutes and regulations place specific requirements on certain activities and not on others. For example, there is a statutory and regulatory limitation on the amount of CDBG funds which may be used for public services. There is a similar limitation on the amount of CDBG funds which may be used for planning and administrative costs.

The statute and regulations also place special requirements on such activities as code enforcement and assistance to for-profit businesses for economic development projects. An improperly classified activity may be unnecessarily subject to an inapplicable requirement or, conversely, it may be carried out in a manner contrary to the intent of the law.

SCOPE OF AN ELIGIBILITY DETERMINATION

Six steps are involved in the process of determining if CDBG funds may be used to assist a proposed activity.

The first step is to determine if the activity is included within the listing of eligible activities in the CDBG regulations, as modified by statutory amendments. This chapter describes all activities which are currently eligible.

The second step is to determine if the proposed activity falls within a category of explicitly ineligible activities, despite its apparent inclusion within the listings of eligible activities. For example, while many public facilities are eligible for assistance, there is an explicit statutory and regulatory bar to providing assistance to “buildings for the general conduct of government.” The explicitly ineligible activities are identified in this chapter.

The third and probably most important step is to determine if the proposed activity meets one of the national objectives of the program:

NATIONAL OBJECTIVES	
<ul style="list-style-type: none"> • • • 	<ul style="list-style-type: none"> Benefiting low and moderate (L/M) income persons, Addressing slums or blight, and Meeting a particularly urgent community development need.

1-2

The fourth step is to ensure that carrying out the activity with CDBG funds will not result in the grantee violating its certification that at least 60% of CDBG funds will benefit L/M income persons over one, two, or three consecutive program years, as specified by the grantee. The procedure for calculating overall program benefit to L/M income persons is described in Chapter 3.

The fifth step is to review proposed costs of the activity to determine if they appear to be necessary and reasonable and will otherwise conform with the requirements of OMB Circulars A-87, "Cost Principles Applicable to Grants and Contracts with State and Local Governments"; A-122, "Cost Principles for Non-Profit Organizations"; A-21, "Cost Principles for Educational Institutions," as applicable.

The sixth step is to complete the environmental review and clearance procedures for the project of which the activity is a part. Those procedures are set forth in 24 CFR, Part 58. HUD is prohibited by law from releasing funds for a CDBG activity until the grantee certifies that it has met its responsibilities with respect to environmental protection.

ELIGIBLE ACTIVITY CATEGORIES

The remainder of this chapter describes separately each type of eligible activity in the following order:

ELIGIBLE CATEGORIES	PAGE
ACQUISITION OF REAL PROPERTY	1 – 3
DISPOSITION	1 – 6
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SPECIAL ACTIVITIES BY SUBRECIPIENTS	1 – 31
PLANNING AND CAPACITY BUILDING	1 – 32
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ACQUISITION OF REAL PROPERTY

Eligible Activities. CDBG funds may be used to acquire real property in whole or in part by purchase, long-term lease, donation, or otherwise, as follows:

CDBG funds may be used by:

- The grantee,
- Any other public agency,
- A private nonprofit entity,

to acquire real property for any purpose which means a national objective of the CDBG program. This is subject only to the limitations on political activities [see *s570.207(a)(3)*] and assisting buildings for the general conduct of government [see *s570.207(a)(1)* and pg. 1-8 of this Guide]. *References: s570.201(a) and s570.203(a).*

In addition, CDBG funds may be provided to private individuals and private for-profit entities to acquire real property in the following situations:

- CDBG funds may be provided to private individuals and private for-profit entities to acquire property to be rehabilitated, if the property is then rehabilitated and used or sold for residential purposes which meet a national objective of the CDBG program. *Reference: s570.202(b)(1).*
- Private for-profit entities may use CDBG funds to acquire real property when the acquisition or the activity of which it is a part meets a national objective of the CDBG program and is determined by the grantees to be “necessary or appropriate” to carry out an economic development project. See pg. 1-69 for more information on the “necessary or appropriate” determination. *References: s570.203(b)*

Example: The real property acquired may be:

- Land
- Air Rights
- Easements
- Water Rights
- Right-of Ways
- Buildings and other real property improvements
- Other interests in the real property

Real property acquisition does not include:

- The costs of moveable equipment, furnishings or machinery.
- A “land-write-down” in which land is purchased at one price and then sold to the same entity at a lower price. This is not an eligible activity since it does not constitute a bona fide acquisition.

1-4

- Acquiring newly-constructed housing or acquiring an interest in the construction of new housing, unless such housing is constructed under one of the limited circumstances described on page 1-24.

Compliance with National Objectives

Acquisition of real property must always be viewed in terms of the use of the property after acquisition for the purpose of evaluating compliance with the CDBG national objectives. A preliminary determination of compliance may be based on the planned use. A final determination must be based on the actual use of the property, excluding any short-term temporary use. Where the acquisition is for the purpose of clearance which will eliminate specific conditions of blight or physical decay, the clearance activity may be considered the actual use of the property. However, any subsequent use or disposition of the cleared property must be treated as a “change of use” under *s570.505*.

Acquisition of real property may qualify as meeting a national objective in any of the ways shown in the charts on the pages following **Additional Considerations**.

Additional Considerations

In order to be considered acquisition, a permanent interest in the property must be obtained. Long-term leases only qualify as acquisition if they are for 15 years or more.

If property acquired with CDBG funds is subsequently sold, the sale must be at fair market value unless the property will be used for an activity which means a CDBG national objective. Sale proceeds would be program income.

Acquisition of real property by the grantee or other “State agencies” for a CDBG assisted activity is subject to the requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970. Temporary easements, acquisition from another public agency, and voluntary offers in response to a public solicitation are exempt from Uniform Act requirements. *Reference: s570.606*.

ACQUISITION

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Objective	Qualifies If	Example	Additional
L/M Area Benefit	The property will be used for an activity the benefits of which are available to all the residents in a particular area, and at least 51% of those residents (or less if the exception criteria are applicable) are L/M income persons.	Buying land on which a neighborhood park will serve a L/M income neighborhood.	For more information, see page 2-3.
L/M Limited Clientele	The property will be used for an activity the benefits of which are limited to a specific group of people, at least 51% of whom are L/M income persons.	Buying a building to be converted into a shelter for the homeless.	For more information, see page 2-5.
L/M Housing	The property will be used for housing occupied or to be occupied by L/M income persons. Rental units for L/M income persons must be occupied at affordable rents.	Buying an apartment house to provide or maintain units with affordable rents for L/M income persons, provided at least 51% of the units are or will be occupied by L/M persons.	For more information, see page 2-7.
L/M Jobs	The acquisition is part of an activity that will create or retain permanent jobs at least 51% of which are for L/M income persons.	Providing CDBG funds to a private for-profit business to acquire land for a plant expansion if at least 51% of the new permanent jobs will be for L/M income persons.	For more information, see page 2-9.
Slum or Blighted Area	The real property is in a designated slum/blight area and the property will be used in a manner which addresses one or more of the conditions which contributed to the deterioration of the area.	Using CDBG funds to acquire one or more deteriorated buildings for rehabilitation or demolition.	For more information, see page 2-17.

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DISPOSITION

Eligible Activities. CDBG funds may be used to pay costs incidental to disposing of real property acquired with CDBG funds, provided the property will be used to meet a national objective of the CDBG program.

The property may be disposed of through:

- Sale,
- Lease,
- Donation,

or otherwise. CDBG funds may also be used to pay reasonable costs of temporarily managing such property (or property acquired under urban renewal) until final disposition of the property is made. *Reference: s570.201(b).*

Example: Disposition costs include fees paid for:

- Appraisals,
- Surveys,
- Marketing,
- Legal Services,
- Financial Services,
- Transfer Taxes,

and other costs involved in the transfer of ownership of property.

PUBLIC FACILITIES AND IMPROVEMENTS

Eligible Activities. CDBG funds may be used by the grantee or other public or private non-private entity for the:

- Acquisition,
- Construction,
- Reconstruction,
- Rehabilitation, or
- Installation

of public improvements or facilities (except for buildings for the general conduct of government), provided such improvements or facilities meet a national objective of the CDBG program. *References: s570.201(c).*

Example: Public facilities and improvements include, but are not limited to:

- Shelters for the homeless
- Water and sewer facilities
- Flood and drainage improvements
- Fire protection facilities/equipment
- Community, senior and health centers
- Parking, streets, curbs, gutters and sidewalks, parks and playgrounds

Public facilities and improvements do not include:	Reference
•Costs of operating or maintaining public facilities / improvements	<i>s570.207(b)(2)</i>
•Assisting “buildings for the general conduct of government.” See page 1-8 for additional information	<i>s570.207(a)(1)</i>
•Costs of purchasing construction equipment	<i>s570.207(b)(1)(i)</i>
•Costs of furnishings and other personal property except fire fighting equipment	<i>s570.207(b)(1)(ii)</i>
•New construction of public housing, except as provided in <i>s570.207(b)(3)</i>	<i>s570.207(b)(3)</i>

Compliance with the National Objectives

Public facilities and improvements may qualify as meeting a national objective of the CDBG program in any of the ways shown in the charts on the pages following **Additional Considerations.**

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Additional Considerations

Title to public facilities:

- Non-profit entities may acquire title to public facilities such as a senior center, centers for the handicapped and neighborhood facilities. When such facilities are owned by non-profit entities they must be open for use by the general public during all normal hours of operation. *Reference: s570.201(c).*

Facilities containing both eligible and ineligible uses:

- If a public facility contains both eligible and ineligible uses, *s570.200(b)(1)* of the regulations should be consulted for special qualifying criteria for the eligible portion of the facility.

Fees for use of facilities:

- Reasonable fees may be charged for the use of the facilities assisted with CDBG funds, but charges, such as excessive membership fees, which will have the effect of precluding L/M income persons from using the facilities, are not permitted. *Reference: s570.201(b)(2).*

Shelters are not considered new housing construction:

- Facilities designed for use in providing shelter for persons having special needs are considered public facilities and are not subject to the prohibition against new housing construction. Included are:
 - Hospitals
 - Nursing homes
 - Convalescent homes
 - Battered spouse shelters
 - Shelters for the homeless
 - Halfway houses for drug offenders or parolees
 - Halfway houses for runaway children
 - Group homes for mentally challenged persons
 - Temporary housing for disaster victims

“Buildings for the general conduct of government”:

- As defined in the statute, this term means “city halls, county administrative buildings, State capitol or office buildings or other facilities in which the legislative, judicial or general administrative affairs of government are conducted.” Such buildings are ineligible for CDBG assistance.
- “Other facilities in which the... general administrative affairs of government are conducted” are generally considered to mean government office buildings, but not to include buildings in which services are provided to the public. Therefore, while CDBG funds may not be used to assist a government office building, such as one containing offices for staff administering the grantee’s CDBG program, CDBG funds may be used to assist a fire station, police station, or jail, provided such assistance meets a national objective of the program.
- CDBG funds may also be used to assist “mini-city halls” located in L/M areas.

Special Assessments:

- A “special assessment” is the recovery of the capital costs of a public improvement, such as streets, water or sewer line, curbs and gutters, though:
 - a fee or charge levied or filled as a lien against a parcel of real estate as a direct result of benefit derived from the installation of a public improvement;
 - a one-time charge made as a condition of access to the public improvement.
- Where CDBG funds are used to pay all or part of the cost of a public improvement, the rules described in Appendix C apply if special assessments are used to recover capital costs.
- Because special assessments are a technique for funding public improvements, the use of CDBG funds to pay special assessments for a public improvement not initially assisted with CDBG funds constitutes CDBG assistance to the public improvement. Therefore, all the rules applicable to a CDBG-assisted public improvement apply if CDBG funds are used to pay special assessments for that improvement.

PUBLIC FACILITIES AND IMPROVEMENTS

Objective	Qualifies If	Example	Additional
L/M Area Benefit	The public facility or improvement will be used for a purpose the benefits of which are available to all the residents in a particular area, and at least 51% of those residents (or less if the exception criteria are applicable) are L/M income persons.	Water and sewer facilities, streets, curbs, gutters, side-walks, parks, playgrounds, fire protection and equipment, flood and drainage improvements and multipurpose neighborhood centers.	For more information, see page 2-3.
L/M Limited Clientele	The public facility or improvement will be used for a purpose the benefits of which are limited to a specific group of people (i.e. senior citizens or the homeless) at least 51% of whom are L/M income persons.	Senior centers, day care centers, shelters for the homeless and centers for the handicapped.	For more information, see page 2-5.

1-10

Objective	Qualifies If	Example	Additional
L/M Housing	The public facility or improvement assists in the provision of housing to be occupied by L/M income persons.	Site improvements on <i>publicly owned</i> property to be used for new housing to be occupied by L/M income persons. If the new housing is to be built by a private developer, the site improvements must be made before the publicly-owned property is conveyed to the public.	For more information, see page 2-7.
L/M Jobs	There is a clear link between the activity and the creation of retention of <i>permanent</i> jobs at least 51% of which are for L/M income persons. There should be a written agreement with the benefiting business(es), before the work begins, covering: Why the facility/improvement is essential for creating or retaining permanent jobs; The number and types of jobs to be created and/or retained; and, Which of those jobs are for L/M income persons?	Rebuilding a public road adjacent to a factory to allow larger and heavier trucks access to the facility if it is essential to plant expansion and the creation of permanent jobs for L/M persons.	For more information, see page 2-9.
Slum or Blighted Area	The public facility or improvements are located in a designated slum or blighted area and are designed to address one or more conditions which contributed to the deterioration of the area.	Reconstruction or rehabilitation of deteriorated public improvements in the area.	For more information, see page 2-17.

- Whenever there is substantial evidence to show that the expansion and the creation of jobs were not the primary reasons for undertaking the public improvement, use of CDBG funds for the activity would be subject to challenge. If the public facility or improvements also serves a residential area, then the criteria described under L/M Area Benefit on page 2-3 must be met in order for the activity to be considered to benefit L/M income persons.

PRIVATELY-OWNED UTILITIES

Eligible Activities. The grantee, or other public agencies, and private non-profit entities may use CDBG funds to:

- Acquire,
- Reconstruct,
- Rehabilitate, or
- Install

the distribution lines and facilities of privately-owned utilities, provided such activity meets a national objective of the CDBG program. *Reference: s570.201(1)*

Example: A grantee could use CDBG funds to:

- Pay the costs of placing new, underground existing power lines and telephone lines owned by private utilities provided that action meets a national objective.
- The grantee could install water lines to be owned and operated by a private utility, again provided that action meets a national objective.

Compliance with National Objectives

Privately-owned utilities may qualify as meeting a national objective of the CDBG program in the same ways as are applicable to “Public Facilities and Improvements.” See page 1-15.

Additional Considerations

There are no additional considerations under this activity.

1-12

CLEARANCE

Eligible Activities. CDBG funds may be used for:

- Clearance,
- Demolition,
- Removal of building and improvements, or
- Movement of structures to other sites

provided such activities meet a national objective of the CDBG program. Demolition of HUD-assisted housing units may be undertaken only with the prior approval of HUD.

Compliance with National Objectives

Clearance activities may qualify as meeting a national objective of the CDBG program in the ways depicted in the charts on the following pages.

Additional Considerations

There are no additional considerations under this activity.

PUBLIC SERVICES

Eligible Activities. CDBG funds may be used to provide public services (including labor, supplies and materials), provided the public services meet a national objective of the CDBG program and provided that each of the following criteria is met:

The *public service* must be either:

- A new service or
- A quantifiable increase in the level of a service

above that which has been provided by or on behalf of the unit of general local government (through funds raised by such unit, or received by such unit from the State in which it is located) during the 12 months prior to submission of the grantee's final statement.

(This requirement is intended to prevent the substitution of CDBG funds for recent support of public services by the grantee using local or State government funds.)

Exception:

- An exception may be made if HUD determines that the decrease in the level of services was the result of events not within the control of the unit of general local government. *Reference: s570.201(e)(1).*

The amount of CDBG funds obligated within a program year to support public service activities must not exceed 15% of the total grant awarded to the grantee for that year, except under the circumstances described in the next paragraph. A description of how to calculate the Public Services CAP is located on page 1-35.

A grantee may exceed the 15% CAP only if the grantee obligated more than 15% of its FY 1982 or 1983 grant for public service activities during the 1982 or 1983 program year, respectively.

This exception only applies to those grantees that received authority from HUD to exceed the 10% CAP on public services for their 1982 or 1983 program year and legally obligated in excess of 15% for public services that program year.

During each program year thereafter, such grantees may obligate either the amount or percentage obligate for public services during the FY 1982 or 1983 program year, whichever is greater. *Reference: s570.201(e).*

1-14

Example: Public services include, but are not limited to:

- Child care
- Health care
- Job training
- Recreation programs
- Education programs
- Public safety services
- Fair housing activities
- Services for senior citizens
- Services for homeless persons
- Drug abuse counseling and treatment
- Energy conservation counseling and testing

Public services also include the cost of operating and maintaining that portion of a facility in which the service is located.

Public services do not include:

References

- | | |
|--|-----------------------|
| • Political activities | <i>s570.207(a)(3)</i> |
| • Payments to individuals for their food, clothing, rent, utilities or other income payments | <i>s570.207(b)(4)</i> |
| • The following activities that may be eligible under other categories: relocation services, rehabilitation services, code enforcement inspections, services carried out as interim assistance, and planning or administrative activities. | |

Compliance with the National Objectives

Public service activities may qualify as meeting a national objective of the CDBG program as depicted in the charts on the pages following Additional Considerations.

Additional Considerations

Applicability of Public Services CAP to sub-recipients:

- Public services carried out by sub-recipients are subject to the Public Services CAP.

Substitution of CDBG funds for private or other Federal funds:

- The prohibition on substituting CDBG funds for recent local or State government funding of a public service, as described on page 1-26, does not extend to prohibiting the substitution of CDBG funds for private or other Federal funding of a public service.
- It also does not prevent the refunding of a CDBG-funded public service at the same level in the subsequent program year. *Reference: s570.201(e)(1).*

PUBLIC SERVICES

Objective	Qualifies If	Example	Additional
L/M Area Benefit	The public service is available to <i>all</i> the residents in a particular area, and at least 51% of those residents (or less if the exception criteria are applicable) are L/M income persons.	Increased police and fire protection services.	For more information, see page 2-3.
L/M Limited Clientele	The public service is limited to a specific group of people (i.e. senior citizens or the homeless) at least 51% of whom are L/M income persons. Services qualifying under this category serve a specific clientele, rather than providing service to all the persons in a geographic area.	Most public services qualify under this category.	For more information, see page 2-5.
L/M Housing	Not applicable.	Not applicable.	Not applicable.
L/M Jobs	Not applicable.	Not applicable.	Not applicable.

1-16

INTERIM ASSISTANCE

Eligible Activities. CDBG funds may be used for interim assistance activities provided those activities meet a national objective of the program.

There are two categories of interim assistance activities:

The first category covers limited improvements to a deteriorating area as a prelude to permanent improvements. To qualify under this category:

- The area must be exhibiting objectively determinable signs of physical deterioration.
- The grantee must determine that immediate action is needed to arrest the deterioration and that permanent improvements will be undertaken as soon as practicable. Documentation of that determination must be maintained.
- The activities that may be carried out with CDBG funds under this category are limited to:
 - The repair of:
 - Streets,
 - Sidewalks,
 - Public buildings,
 - Parks and playgrounds, and
 - Publicly-owned utilities.
 - The execution of special:
 - Garbage,
 - Trash, and
 - Debris removal, including neighborhood cleanup campaigns.

References: s570.201(f)(1) and s570.200(e).

The second category covers activities to alleviate an emergency condition. To qualify under the second category:

- The grantee's chief executive officer must determine that emergency conditions threatening the public health and safety exist in the area and require immediate resolution. Documentation of that determination must be maintained.
- The activities that may be carried out with CDBG funds under this category are limited to:
 - Activities eligible under the first category, except for the repair of parks and playgrounds,
 - Clearance of streets, including snow removal and similar activities, and
 - Improvements to private properties.

These activities may not go beyond what is necessary to alleviate the emergency condition.

References: s570.201(f)(2) and s570.200(e).

Compliance with National Objectives

Interim assistance activities may qualify as meeting a national objective of the CDBG program as shown in the chart below.

Additional Considerations

There are no additional considerations under this activity.

INTERIM ASSISTANCE

Objective	Qualifies If	Example	Additional
L/M Area Benefit	The interim assistance activities benefit all persons in the area at least 51% of which (or less if the exception criteria are applicable) are L/M income persons residing in the area benefiting from those activities.	Emergency removal of damaged tree limbs after a major storm.	For more information, see page 2-3.
L/M Limited Clientele	Not applicable.	Not applicable.	Not applicable.
L/M Housing	Not applicable.	Not applicable.	Not applicable.
L/M Jobs	Not applicable.	Not applicable.	Not applicable.

1-18

RELOCATION

Eligible Activities. CDBG funds may be used for relocation payments and assistance to displaced persons including:

- Individuals,
- Families,
- Businesses,
- Non-profit organizations, and
- Farms

where required under section *570.606* of the regulations.

CDBG funds may be used for optional relocation payments and assistance to persons (individuals, families, businesses, non-profit organizations and farms) displaced by an activity that is not subject to the requirements described above. This may include payments and other assistance for temporary relocation (when persons are not permanently displaced).

Optional relocation payments and assistance may also include payments and assistance at levels higher than those required.

Unless optional payments and assistance are made pursuant to State or local law, the grantee may make such payments and assistance only upon the basis of a written determination that such payments and assistance are necessary, and only if the grantee adopts a written policy available to the public setting forth the relocation payments and assistance it elects to provide.

This policy must also provide for equal payments and assistance within each class of displace. *References: s570.201(i) and s570.606.*

Compliance with National Objectives

The compliance of relocation activities with the national objectives of the CDBG program should be determined in one of two ways, depending on whether the relocation assistance is mandatory for the grantee.

Where such assistance is required under the Uniform Act of the CDBG statute, the activity may qualify as meeting the national objective of benefiting L/M income persons only where the acquisition or rehabilitation causing the relocation can also qualify under that objective.

Example:

If the grantee acquires property for construction of a public facility that will serve an area that qualified under the slums/blight objective, but cannot qualify as benefiting L/M income persons, the payment of assistance to those displaced by such activity would qualify under the slums/blight objective even if most or all of the displaces are L/M income.

This is because the grantee is required by law to make such payments and therefore it must be viewed as an integral part of the displacing activity.

In any case where the payment of such assistance is voluntary on the part of the grantee, however, the relocation payments could qualify either on the basis of the re-use of the property or the income of the recipients of the relocation assistance.

Thus, HUD would accept a claim of addressing the L/M income benefit objective where the voluntary payment of the relocation benefits is made L/M income persons who were displaced by an activity that could not be considered to meet that objective. This is because the payment of such benefits clearly would not be needed to make possible the activity causing the displacement.

Additional Considerations

There are no additional considerations under this activity.

1-20

LOSS OF RENTAL INCOME

Eligible Activities. CDBG funds may be used to pay housing owners for losses of rental income occurred in holding, for temporary periods, housing units to be used for the relocation of individuals and families displaced by CDBG-assisted activities.

Compliance with National Objectives

Compliance of this activity with the national objectives of the CDBG program should be determined based on the underlying relocation activity.

If relocation assistance to displaces qualified on the basis of benefit for L/M income persons, then paying housing owners for losses incurred in holding units for those displaces also qualifies as benefiting L/M income persons.

Note:

If the relocation assistance to displaces qualified under the “Slum/Blight” or “Urgent Needs” categories, then paying housing owners for losses incurred in holding units for those displaces also would qualify under “Slum/Blight” or “Urgent Needs,” as applicable.

Additional Considerations

There are no additional considerations under this activity.

REMOVAL OF ARCHITECTURAL BARRIERS

Eligible Activities. CDBG funds may be used to remove material and architectural barriers which restrict the mobility and accessibility of elderly and handicapped persons to publicly or privately-owned buildings, facilities and improvements, provided such barrier removal meets a national objective of the CDBG program.

Despite the general prohibition on using CDBG funds to assist buildings for the conduct of government, CDBG funds may be used to remove architectural barriers in such buildings. *References: s570.201(k) and s570.207(a)(1).*

Example: Architectural barrier removal includes the installation of:

- Ramps,
- Curb cuts,
- Wider doorways,
- Elevators, or
- Physical modifications to building, facilities and improvements to make them accessible.

Removal of architectural barriers does not include:

- Purchasing or leasing motor vehicles equipped for the handicapped or any other type of assistance to promote mobility of handicapped persons, except physical modifications to buildings, facilities and improvements.
- While such assistance does not qualify as removal of architectural barriers, it *may* qualify as a public service.

Compliance with National Objectives

The regulations provide that removal of architectural barriers is considered to benefit L/M income persons absent substantial evidence to the contrary. This is based on data showing that, on a national basis, a majority of the handicapped persons have L/M incomes.

Such activities qualify under the “L/M Limited Clientele” category. See page 2-5 for additional information.

Removal of architectural barriers in a private single-unit residence does not automatically qualify as benefiting L/M income persons. In such cases, the income of the household can be determined in an application and, therefore, the household must have a L/M income to qualify the activity as benefiting L/M income persons. Such an activity may also qualify under the “Slum or Blighted Area” category if the structure is substandard and the work includes the correction of all deficiencies that make the structure substandard. See page 2-17 for additional information.

Additional Considerations

There are no additional considerations under this activity.

1-22

HOUSING REHABILITATION

Eligible Activities. CDBG funds may be used to finance the rehabilitation of any publicly or privately-owned residential property, including the conversion of non-residential property for housing, provided such rehabilitation meets a national objective of the CDBG program. *Reference: s570.202.*

Example:

Housing rehabilitation includes the broad range of activities described in detail at *s570.202(b)* of the regulations.

Housing rehabilitation does not include:

- Creation of a secondary housing unit attached to a primary unit.
- Installation of luxury items, such as a swimming pool.
- Costs of equipment, furnishings, or other personal property not an integral structural fixture such as:
 - A window air conditioner
 - A washer or dryer

○ **Note:** Stoves and refrigerators, even if not built in, are exceptions.

- Labor costs for homeowners

to rehabilitate their own property.

Compliance with National Objectives

Housing rehabilitation activities may qualify as meeting a national objective of the CDBG program as shown in the chart on the page following **Additional Considerations**.

Additional Considerations

CDBG may be used to refinance existing indebtedness of a property rehabilitated with CDBG funds in order to make the rehabilitation possible for a property owner who otherwise might not be able to meet the debt service on the property.

The grantee must make a determination that such financing is necessary or appropriate to achieve the grantee's community development objectives.

The grantee should maintain documentation showing that the rehabilitation was done with CDBG funds and that the borrower needed the refinancing in order to make the rehabilitation affordable. *References: s570.202(b)(3) and s570.200(e).*

HOUSING REHABILITATION

Objective	Qualifies If	Example	Additional
L/M Area Benefit	Not applicable.	Not applicable.	Not applicable.
L/M Limited Clientele	Not applicable.	Not applicable.	Not applicable.
L/M Housing	The housing to be rehabilitated is occupied or will be occupied by L/M income persons. Rental units must be occupied at affordable rents.	Conversion of non-residential structures into permanent housing for L/M persons.	For more information, see page 2-7.
L/M Jobs	Not applicable.	Not applicable.	Not applicable.

1-24

NEW HOUSING CONSTRUCTION

Eligible Activities. CDBG funds may be used to finance or subsidize the construction of new permanent residential structures under the following limited circumstances, provided such new construction meets a national objective of the CDBG program.

- The funds are used by a:
 - Local development company,
 - Small business investment company, or
 - Neighborhood-based no-profit organizationfor the construction of housing which the grantee has determined is necessary or appropriate to achieve its community development activities. The grantee is required to maintain documentation of its determination. *References: s570.204 and s570.200(e).* For more information, see page 1-31.
- Grantees use CDBG funds in a housing construction project that has received funding through a Housing development Grant (a HODAG).
Reference: s570.207(b)(3).
- Grantees construct housing of last resort under 24 CFR Part 42, Subpart I. This housing is limited to housing newly constructed for displaces of a CDBG project, subject to the Uniform Act, in which the project is prevented from proceeding because comparable replacement housing is not available otherwise. *Reference: s570.207(b)(3).*
- Grantees reconstruct on the same site housing which is owned and occupied by L/M income persons where the need for the reconstruction was not determinable until after CDBG-assisted rehabilitation began.

New housing construction does not include:

- Costs of equipment,
- Furnishings,
- Other personal property not an integral structural fixture such as window air conditioners or a washer or dryer (stoves and refrigerators, even if not built in, are exceptions), and
- Installation of luxury items, such as a swimming pool.

Compliance with National Objectives

New housing construction may qualify as meeting a national objective of the CDBG program as depicted in the chart in the pages following **Additional Considerations**.

Additional Considerations

Several activities which support new housing may be carried out using CDBG funds even if they do not fall within the limited circumstances under which new housing constructions is eligible.

These activities are eligible under other eligibility categories (e.g., “Acquisition of Real Property”, “Public Facilities and Improvements”) provided they meet a national objective of the CDBG program:

- Acquisition of sites for use or resale for new housing may be carried out under “Acquisition of Real Property.” *Reference: s570.201(a).*
- Clearance of sites for use or resale for new housing may be carried out under “Clearance.” *Reference: s570.201(d).*
- Site improvements to publicly-owned land to be used or sold for new housing may be carried out under “Public Facilities and Improvements.” *Reference: s570.201(c).*
- The cost of disposing of real property, acquired with CDBG funds, which will be used for new housing, may be paid for under “Disposition.” *Reference: s570.201(b).*
- The cost of converting an existing non-residential structure to residential use may be paid for under “Rehabilitation.” *Reference: s570.202.*

In addition, certain “soft costs,” such as:

- Surveys,
- Site and utility plans, and
- Application processing fees

associated with developing new housing identified in the grantee’s HUD approved Housing Assistance Plan may be paid for with CDBG funds as an “Administrative Cost” under *s570.206(g)*, when such soft costs are incurred in support of new housing activities which are not otherwise eligible.

Note: Soft Costs incurred in support of eligible new housing activities may be included as part of the cost of such activities.

1-26

CODE ENFORCEMENT

Eligible Activities. Code enforcement involves the payment of salaries and overhead costs directly related to the enforcement of local codes.

CDBG funds may be used for code enforcement only 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 the area, and provided the code enforcement meets a national objective of the CDBG program. *Reference: s570.202(c)*. These are statutory requirements and *cannot* be waived.

Example: Using CDBG funds to pay the salaries of inspectors enforcing codes in a blighted area being renewed through comprehensive treatment.

Code enforcement does not include:

- Inspections for the purpose of processing applications for rehabilitation assistance. Such inspections should be classified as “Rehabilitation” or “Special Economic Development” and they are not limited by the restrictions on the eligibility of code enforcement. See “Housing Rehabilitation” (page 1-22) or “Special Economic Development” (page 1-30), as applicable.

Compliance with the National Objectives

Code enforcement may qualify as meeting a national objective of the CDBG program as shown in the charts on the following pages.

Additional Considerations

Code enforcement expenditures are not included in costs subject to the 20% limit on planning and administration, even though all expenditures are for staff and related costs.

HISTORIC PRESERVATION

Eligible Activities. CDBG funds may be used to rehabilitate, preserve and restore historic properties, provided such activities meet a national objective of the CDBG program.

The historic properties may be publicly or privately owned.

Historic properties are those sites or structures that are:

- Listed on or eligible to be listed in the National Register of Historic Places,
- List in a State or local inventory of historic place, or
- Designated as a State or local landmark or historic district by appropriate law or ordinance.

Example: In general, historic properties include those sites and structures which:

- Are associated with events that have made a significant contribution to the broad patterns of history;
- Are associated with the lives of persons significant in history;
- Embody the distinctive characteristics of a type, period or method of construction; represent the work of a master, possess high artistic values; or represent a significant and distinguishable entity whose components may lack individual distinction; or
- Have yielded, or may be likely to yield, information important in prehistoric or history.

Historic preservation does not include:

- Rehabilitating, preserving or restoring “buildings for the general conduct of government,” such as a city hall, which are specifically ineligible for CDBG assistance. For more information see page 1-8.

Compliance with National Objectives

- Historic preservation activities should be evaluated for compliance with the national objectives depending on the type of site or structure being rehabilitated, preserved or restored as follows:
 - Historic preservation of public facilities or improvements should be evaluated under the “Public Facilities and Improvements” category. See page 1-5.
 - Historic preservation of commercial or industrial sites or structures should be evaluated under the “Special Economic Development” category. See page 1-30.

1-28

- Historic preservation of dwelling units which will be occupied following completion of the preservation activities should be evaluated under the “Housing Rehabilitation” category, except that under “Blight” the historic preservation activities are not limited to the extent necessary to eliminate specific conditions detrimental to public health and safety. See page 1-20.
- If all or part of an improvement to a historic structure does not constitute historic preservation as described above (e.g., partitioning), such improvements would have to qualify separately under one of the national objectives.

Additional Considerations

The Advisory Council on Historic Preservation must be given a reasonable opportunity to comment on properties that are listed on or have been found eligible for the National Register of Historic Places and which would be affected by CDBG-assisted activities, including historic preservation activities.

Reference: Procedures for the Protection of Historic and Cultural Properties, 36 CFR Part 800.

COMMERCIAL OR INDUSTRIAL REHABILITATION

Eligible Activities. CDBG funds may be used to finance the rehabilitation of commercial or industrial buildings, provided such rehabilitation meets a national objective of the CDBG program. *Reference: s570.202.* However, the rehabilitation of a commercial or industrial building owned by a private for-profit business may qualify under the “Rehabilitation” category only if the rehabilitation is limited to improvements to the exterior of the building and the correction of code violations. Further improvements to such a building will have to meet the requirements of the “Special Economic Development” category. Specifically, a “necessary or appropriate” determination is required for the further improvements.

Commercial or industrial rehabilitation does not include:

- Costs of equipment or furnishings,
- Other personal property not an integral structural fixture, or
- Installation of luxury items.

Compliance with the National Objective

Commercial or industrial rehabilitation may qualify as meeting a national objective of the CDBG program in the same manner as “Special Economic Development” activities qualify as described beginning on page 1-28.

Additional Considerations

There are no additional considerations under this activity.

1-30

SPECIAL ECONOMIC DEVELOPMENT

Preface

The purpose of this preface is to distinguish the concept of “economic development” from the term “special economic development” as used in the CDBG program.

- “Economic development” can be interpreted very broadly to include all endeavors aimed at sustaining or increasing the level of business activity. Under this broad concept, most CDBG activities could be viewed as economic development activities. For example, the level of business activity in a community could be helped through development of a community economic development plan; improvements to the public infrastructure; better housing; or enhanced public services.
- In contrast, the term “special economic development” is used in the CDBG program to identify the two categories of economic development activities described below and at *s570.203(a) and (b)* of the regulations.
- An economic development project may be supported by a range of CDBG-funded activities, including both special economic development activities and other eligible CDBG activities, provided all such activities meet a national objective of the CDBG program.

Eligible Activities. CDBG funds may be used for the following special economic development activities, provided such activities meet a national objective of the CDBG program:

- Commercial or industrial improvements carried out by the grantee or a non-profit sub-recipient, including:
 - Acquisition,
 - Construction,
 - Reconstruction, or
 - Installation
 of commercial or industrial buildings or structures and other real property equipment and improvements.

SPECIAL ECONOMIC DEVELOPMENT

Objective	Qualifies If	Example	Additional
L/M Area Benefit	The assistance is to a <i>commercial</i> business which serves a L/M income <i>residential</i> area.	Assistance to neighbor hood businesses such as, grocery stores and Laundromats, typically qualify.	For more information see page 2-3.
L/M Limited Clientele	Not applicable.	Not applicable.	Not applicable.
L/M Housing	Not applicable.	Not applicable.	Not applicable.
L/M Jobs	The assistance is directly linked to the creation or retention of permanent jobs, at least 51% of which are for L/M income persons.	Assistance to a manufacturer in financing an expansion which will create permanent jobs, at least 51% of which are for L/M income persons.	For more information see page 2-9.

SPECIAL ACTIVITIES BY SUBRECIPIENTS

Preface

The purpose of this preface is to emphasize the distinction between sub-recipients in general and the three types of sub-recipients described below and in *s570.204(c)* of the regulations.

- The term “sub-recipient” means a public or private non-profit agency authority or organization, or an entity described in *s570.204(c)*, receiving CDBG funds from the grantee to undertake activities eligible under the CDBG program.
- The three types of sub-recipients described in *s570.204(c)* are a subset of the broader term “sub-recipient.”

A grantee may designate a *s570.204(c)* sub-recipient or any other sub-recipient to carry out activities that the grantee may carry out itself, as indicated in *s570.200(f)*. However, only the three types of sub-recipients described in *s570.204(c)* and identified below may undertake otherwise ineligible activities.

The term “special activities by sub-recipients” refers to such otherwise ineligible activities.

Eligible Activities. Activities which are not specifically listed as eligible in the CDBG regulations may not be undertaken by the grantee or by sub-recipients, except the following three types of sub-recipients.

- Neighborhood-based non-profit organizations as described in *s570.204(c)(1)*,
- Small Business Investment Companies as described in *s570.204(c)(2)*,
- Local Development Corporations as described in *s570.204(c)(3)*.

Note: If the grantee is unsure whether a particular organization qualifies as a sub-recipient that is permitted to undertake “special activities” the grantee should seek advice from a HUD office.

The three types of sub-recipients may undertake otherwise ineligible activities provided:

- The grantee determines that such activities are necessary or appropriate to achieve its community development objectives and maintains documentation of such determination, *References: s570.200(e) and s570.204(a)(2)*; and
- Such otherwise ineligible activities are for a neighborhood revitalization, community economic development or energy conservation project, *Reference: s570.204(a)*; and
- Such activities meet a national objective of the CDBG program.

Example: Grantees are generally prohibited from using CDBG funds for new housing construction as described in *s570.207(b)(3)*. However, new housing construction may be undertaken by the three types of sub-recipients identified if the conditions described are met.

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Special activities by sub-recipients do not include:

- Any activity which is specifically listed as eligible in the CDBG regulations,
- Any activity described in *s570.207(a)*, that is, buildings for the general conduct of government, general government expenses and political activities,
- Any activity which will violate a specific limitation placed on an eligible activity. Therefore, *s570.204* does not authorize:
 - Provision of public services that do not meet the requirements of *s570.201(e)(1) and (2)*;
 - Provision of assistance to a for-profit business that does not comply with the regulations of *s570.203(b)*; or
 - Carrying out planning and administration activities that would result in the grantee exceeding the 20% cost limitation on such activities.

PLANNING AND CAPACITY BUILDING

Eligible Activities. CDBG funds may be used for:

- Studies,
- Analyses,
- Data gathering,
- Preparation of plans, and
- Identification of actions that will implement plans.

Example: The type of plans which may be paid for with CDBG funds include, but are not limited to:

- Comprehensive plans,
- Individual project plans,
- Community development plans,
- Capital improvement programs,
- Small area and neighborhood plans,
- Analysis of impediments to fair housing choice,
- Environmental and historic preservation studies, and
- Functional plans (such as plans for housing, land use, energy conservation).

A more detailed description of planning and capacity building activities is located in *s570.205* of the regulations.

Such funds may also be used for activities designed to improve the grantee's capacity to plan and manage programs and activities. However, the amount of CDBG funds which may be used for these activities is subject to the statutory limitation on planning and administrative costs, (i.e., 20% CAP) as described on page 1-80. *References: s570.2200(g) and s570.205.*

Planning and capacity building activities do not include:

- Engineering, architectural and design costs related to a specific activity (e.g., detailed engineering specifications and working drawings),
- Other costs of implementing plans.

Example: While developing an economic development strategy for the city or county is an eligible planning activity, printing brochures promoting the city or county in order to attract businesses is not.

Compliance with the National Objectives

CDBG funds spent for planning and capacity building costs are considered to address the national objectives of the CDBG program. No documentation of such compliance is required. *Reference: s570.208(d)(4).*

Additional Considerations

Cost of implementing plans, while not eligible as planning costs, are eligible for CDBG funding if the implementing actions are part of other eligible activities (i.e., activities eligible under *s570.201* through *s570.204* which meet national objectives).

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PROGRAM ADMINISTRATION COSTS

Eligible Activities. CDBG funds may be used to pay reasonable program administration costs and carrying charges related to the planning and execution of community development activities assisted in whole or in part with funds provided under the CDBG or Urban Development Action Grants programs.

CDBG funds may also be used to pay reasonable program administration costs of the Rental Rehabilitation program and the Housing Development Grant (HoDAG) program. However, the total amount of CDBG funds which may be used for program administration is subject to the statutory limitation on planning and administrative costs (i.e., 20% CAP), as described on page 1-80.

Program administration costs are limited to the costs of overall program management, coordination, monitoring and evaluation as described at *s570.206(a)*, and to the specific activities described at *s570.206(b) through (g)*.

The specific activities are:

- Citizens participation,
- Fair housing activities,
- Assistance in providing performance and payment bonding,
- Indirect costs charged using an accepted cost allocation plan,
- Development of submission or applications for Federal programs, and
- Expenses to facilitate housing identified in the grantee's Housing Assistance Plan.

References: s570.200(g) and s570.206.

OTHER ACTIVITIES

The following activity categories contained in the CDBG regulations are not separately described in the Guide for the reasons provided below:

Payment of the non-Federal share – *s570.201(g)*

- This provision does not make any additional activities eligible for CDBG assistance because it limits the use of CDBG funds to paying the non-Federal share only for activities which are themselves eligible for CDBG assistance.
- Therefore, any proposed use of CDBG funds to pay the non-Federal share of a Federal grants-in-aid program should be evaluated against the requirements of the applicable eligibility category.

Urban renewal completion – *s570.201(h)*

- This provision does not make any additional activities eligible for CDBG assistance because any eligible cost of completing an urban renewal project funded under Title I of the Housing Act of 1949 is also eligible under other activity categories described in the Guide.
- For example: The costs of public improvements required to complete an urban renewal project would also be eligible under the “Public Facilities and Improvements” category described on page 1-7.

Construction of Housing – *s570.201(m)*

- This provision makes eligible the use of CDBG funds in a housing construction project that has received funding through a Housing Development Grant (HoDAG).
- This eligible use of funds is covered in the Guide under the broader category of “New Housing Construction” on page 1-24.

Renovation of closed school buildings – *s570.202(e)*

- This provision emphasizes that CDBG funds may be used to renovate closed school buildings for use as:
 - An eligible public facility,
 - A commercial or industrial building, or
 - Housing.
- However, such activities are also eligible under the categories of “Public Facilities and Improvements” (page 1-7), “Special Economic Development” (page 1-30) and “Housing Rehabilitation (page 1-22), as applicable. Therefore, any proposed use of CDBG funds for renovation of closed school buildings should be evaluated against the requirements of such applicable category.

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CHAPTER 2 – NATIONAL OBJECTIVES

PURPOSE

The purpose of this chapter is to describe in detail the criteria which must be met and the records which must be maintained in order for an activity to be considered to have met a national objective of the CDBG program. Additional information in the form of examples and tips is also provided.

BASIC REQUIREMENT

In order to be eligible for funding, every CDBG-funded activity must qualify as meeting one of the *three national objectives* of the program. This requires that each activity, except Program Administration and Planning, meet specific tests for either:

- Benefiting low and moderate (L/M) income persons,
- Aiding in the prevention or elimination of slums or blight, or
- Meeting 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 and other financial resources are not available to meet such needs.

An activity which fails to meet the applicable tests is in non-compliance with CDBG rules.

Note: The requirement that each activity must meet a national objective should not be confused with the requirement that 60% of a grantee's funds must be used for activities that benefit L/M income persons.

The rules used in calculating the total percentage of funds which benefit L/M income persons are covered in Chapter 3.

NATIONAL OBJECTIVES CATEGORIES

The remainder of this chapter describes separately each national objective category in the following order:

NATIONAL OBJECTIVES CATEGORIES	PAGE
L/M INCOME BENEFIT	2 – 2
L/M AREA BENEFIT	2 – 3
L/M LIMITED CLIENTELE	2 – 5
L/M HOUSING	2 – 7
L/M JOBS	2 – 9
SLUMS AND BLIGHT	2 – 13
SLUM OR BLIGHTED AREA	2 – 13
SPOT BLIGHT	2 – 13
URBAN RENEWAL COMPLETION	2 – 13
URGENT NEEDS	2 – 13

2-2

ACTIVITIES BENEFITING L/M INCOME PERSONS

A *low and moderate (L/M) income person* is defined as a member of a family having an income equal to or less than the Section 8 Housing Assistance Payments Program lower income limit established by HUD. Unrelated individuals shall be considered as one person families for this purpose.

Criteria

Activities considered to benefit low and moderate (L/M) income persons are divided into four categories:

1. Area benefit activities,
2. Limited clientele activities,
3. Housing activities, and
4. Job creation or retention activities.

These categories are described in detail on the following pages.

If there is substantial evidence that an activity might not principally benefit L/M income persons, even though the activity conforms with a literal reading of L/M benefit criteria, the presumption that the activity meets the national objective may be rebutted.

In such cases, HUD will consider the full range of direct effects of the assisted activity. This means that HUD will examine the extent to which the activity, in addition to benefiting the L/M income persons, either negatively affects such persons or provides direct benefits to other persons as well. *Reference: s570.208(a).*

L/M INCOME AREA BENEFIT ACTIVITIES

Criteria

An area benefit activity is an activity which meets the identified needs of L/M income persons residing in an area where at least 51% of the residents (or less if the exception criteria are applicable) are L/M income persons. The benefits of this type of activity are available to all persons in the area regardless of income. Such an area need not be coterminous with census tracts or other officially recognized boundaries but must be the entire area served by the activity. Activities of the same type that serve different area must be considered separately on the basis of their individual service area. *Reference: s570.208(a)(1)*

While the general rule is that an area benefit activity must serve an area where the concentration of L/M income persons is at least 51%, a number of CDBG grantees have few areas with this high a percentage. Section 570.208(a)(ii) of the regulations allows those entitlement communities to use what is called the “exception criteria” and to undertake area benefit activities in any residential areas where the proportion of L/M income persons falls within the top 25% of all areas within the grantee’s jurisdiction in terms of the degree of concentration of L/M income persons.

The procedure for using the exception criteria is described on page 2-5.

Example: Potentially eligible activities include:

- Street improvements,
- Water and sewer lines,
- Neighborhood facilities, and
- Façade improvements in neighborhood commercial districts.

Records to be Maintained

The records must include:

- Boundaries of the service area
- Income characteristics of families and unrelated individuals in the service area, and
- Data showing that the area qualifies under the exception rule if the percent of L/M income persons in the service area is less than 51%.

Reference: s570.506(b)(2)

Tips

An activity that serves an area that is not primarily residential in character may not qualify under this category. For example, street construction in an industrial park may not qualify as an area benefit activity.

The Field Office can provide each entitlement grantee with a listing of census block groups for the community rank-ordered in terms of degree of concentration of L/M income persons. The listing identifies which quartile each block group falls into by concentration of L/M income persons. This simplifies identification of area where at least 51% of the residents are L/M income and also identification of grantee which can benefit from use of the exception rule.

2-4

Use of the Exception Criteria

A special computer program has been developed to determine whether a grantee meets the exception criteria. A grantee qualifies under this criterion when less than one-quarter of the populated block groups in the jurisdiction contains 51% or more L/M income persons. These grantees may carry out area benefit activities in any service area with a percentage concentration of L/M income persons in the last census block group in the highest quartile.

The computer run lists the block groups in rank order from highest to lowest level of L/M income persons. The list also provides the total number of block groups in each of the entitlement jurisdictions. The exception criteria threshold is obtained by using the following steps:

1. Obtain the total number of block groups (this number is printed at the end of the computer run). Subtract all block groups with zero persons to determine the net number of block groups.
2. Compute the upper quartile by multiplying the net number of block groups by 25%. Find this block group on the computer run (it will be in the next to the last column). The percentage of L/M income persons on this line is the number to be used to determine whether the grantee meets the exception criteria.
3. If this number is 51% or higher, the exception criteria does not apply to this grantee.
4. If the percentage of L/M income persons in the last census block group in the top quartile is less than 51%, the jurisdiction qualifies under the exception criteria. The percentage of L/M income persons in this block becomes the threshold for the grantee in place of the 51% used by the grantees which do not qualify under this criterion.

When the units of general local government participating with a county change, a new computer run should be made since a change in the mix of census block groups in the urban county would likely change the relative ranking of specific block groups by quartile, and thus might change the minimum concentration of L/M income persons acceptable to consider an area as L/M income under the "exception rule." Where urban counties and metropolitan cities have signed joint agreements the rank ordering must include the census block groups for both units of government.

Grantees which qualify for the exception criteria may use CDBG funds for area benefit activities in any service area, whether or not located in a block group in the highest quartile, with a percentage concentration of L/M income persons at or above the exception criteria level.

If block group data is not available for the entire jurisdiction, other data acceptable to the Secretary may be used in the above calculations. The Field Office determines what data HUD will accept for this purpose.

L/M INCOME LIMITED CLIENTELE ACTIVITIES

Criteria

A *limited clientele activity* is an activity which benefits a specific group of people (rather than all the residents in a particular area), at least 51% of whom are L/M persons. However, the following kinds of activities may not qualify under this category:

- Activities where the benefits are available to all the residents of an area,
- Activities involving the acquisition, construction or rehabilitation of property for housing, or
- Activities where the benefit to L/M persons is the creation or retention of jobs.

To qualify under this category, the activity must meet one of the following tests:

- Benefit a clientele who are generally presumed to be principally L/M income persons. The following groups are currently presumed by HUD to meet this criterion:
 - Abused children,
 - Elderly persons,
 - Battered spouses,
 - Homeless persons,
 - Handicapped persons,
 - Illiterate persons, and
 - Migrant farm workers, or
- Require information on family size and income so that it is evident that at least 51% of the clientele are persons whose family income does not exceed the L/M limit, or
- Have income eligibility requirements which limit the activity exclusively to L/M income persons, or
- Be of such a nature and location that it may be concluded that the activity clientele will primarily be L/M income persons.

Limited clientele activities also include special projects directed to removal of material and architectural barriers which restrict the mobility and accessibility of elderly or handicapped persons to publicly owned and privately owned non-residential buildings, facilities and improvements and the common areas of residential structures containing more than one dwelling unit. *Reference: s570.208(a)(2).*

Example: Limited clientele activities include:

- Construction of a senior center,
- Public services for the homeless,
- Meals on wheels for the elderly, and
- Construction of job training facilities for the handicapped.

2-6

Records to be Maintained

For each activity, one of the following three types of documentation must be kept:

- Documentation showing that the activity is used by a segment of the population presumed by HUD to be L/M persons; e.g., abused children; or
- Documentation describing how the nature and, if applicable, the location of the activity establishes that it is used predominantly by L/M income persons; or
- Data showing the size and annual income of the immediate family of each person receiving the benefit.

Reference: s570.506(b)(3).

Tips

Activities which serve an area generally cannot qualify under the limited clientele criterion. For example: A clinic providing CDBG-subsidized health services which are available to all persons in a neighborhood could not qualify as a limited clientele activity. It must meet the criteria for an area benefit activity. Where such services are not available to everyone in the neighborhood, but only to L/M income persons, the activity could qualify under limited clientele.

L/M INCOME HOUSING

Criteria

A *L/M housing activity* is an activity which adds or improves permanent, residential structures which will be occupied by L/M income households upon completion. The housing can be **either** owner or renter occupied units in **either** one family or multi-family structures. Rental units occupied by L/M income persons must be occupied at affordable rents and the grantee must have criteria which it has made public for determining affordable rents for this purpose. *References: s570.208(a)(3).*

Occupancy of housing shall be determined using the following rules:

- **Residential rehabilitation:** Compliance is based on household income of occupants following rehabilitation.
 - One unit structures must be occupied by L/M households.
 - Two unit structures must have at least one unit occupied after rehabilitation by L/M households.
 - More than two unit structures must have at least 51% of the units occupied by L/M persons after rehabilitation.
 - Rental buildings under common ownership and management which are located on the same or contiguous properties may be considered as a single structure.
 - Activity delivery costs and rehabilitation costs of the Rental Rehabilitation Program qualify as L/M benefit when at least 51% of all units in the grantee's Rental Rehabilitation Program are occupied by L/M households.
- **New housing construction:** Compliance is based on the same rules as for residential rehabilitation with the following exception:
 - Non-elderly, multi-family rental structures must have at least 20% of the units occupied by L/M households. Where L/M occupancy is between 20 and 50%, the CDBG portion of total development costs may not be greater than the portion of units occupied by L/M households. Total development costs include the cost of all work from design and engineering through completion of the physical improvements and, if integral to the project, the cost of acquisition.
- **Acquisition of property or conversion of buildings for permanent housing:** Compliance is based on household income of the occupants in the structures, according to the applicable rules listed above for residential rehabilitation and new housing construction.

Example: Potentially eligible housing benefit activities include:

- Acquisition of property for permanent housing,
- Rehabilitation of permanent housing,
- Conversion of non-residential structures into permanent housing, and
- Eligible activities connected with new housing construction.

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Records to be Maintained

The records must include:

- A copy of the written agreement with each landlord or developer receiving CDBG assistance indicating the total number of dwelling units in each multi-family structure assisted and the number of those units which will be occupied by L/M income households after assistance.
- For each unit occupied by a L/M income household, the size and income of the household.
- For rental housing only:
 - Rent charged (or to be charged) after assistance for each dwelling unit in each structure assisted, and
 - Information as necessary to show the affordability of units occupied (or to be occupied) by L/M income households pursuant to criteria established and made public by the grantee.
- For each property acquired on which there are no structures, evidence of commitments ensuring that the above criteria will be met when the structures are built.

L/M INCOME JOBS

Criteria

A *L/M jobs activity* is one which creates or retains permanent jobs at least 51% of which are either taken by L/M income persons or considered to be available to L/M income persons.

Jobs are considered to be “available to” L/M persons only when both:

- Special skills that can only be acquired with substantial (i.e., one year or more) training or work experience or education beyond high school are not a prerequisite to fill such jobs, or the business nevertheless agrees to hire unqualified persons and train them; and
- Local government or the assisted business takes actions that would ensure that L/M income persons receive “first consideration” for filling such jobs.

Principles involved in providing “first consideration”:

- The business must use a hiring practice that in all likelihood will result in over 51% of persons hired being L/M persons;
- The business must seriously consider a sufficient number of L/M job applicants to meet this intent; and
- The distance from residence and availability of transportation to job site must be considered in determining whether a particular L/M person can be seriously considered an applicant for the job.

In counting jobs, the following policies apply:

- Part-time jobs must be converted to full-time equivalents,
- Only permanent jobs count – temporary job may not be included,
- Seasonal jobs may be counted only if the season is long enough for the job to be considered as the employee’s principal occupation,
- All permanent jobs created by the activity must be counted even if the activity has multiple sources of funding,
- Jobs indirectly created by an assisted activity (i.e., trickle-down jobs) may not be counted, and
- Where applicable, records documenting that the activity qualifies under the special conditions described on page 2-7 regarding the new construction of non-elderly, multi-family housing.

Reference: s570.506(b)(4).

Tips

For last resort housing provided pursuant to *24 CFR Part 42, Subpart I*, compliance with a national objective is based on the activity that caused the displacement, rather than the income of the occupants.

For any type of housing activity which adds or improves permanent residential structures, compliance with the national objective is based on the initial occupancy of the housing following completion of the CDBG-assisted work. Household income data for the initial occupants should be used to determine compliance.

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As a general rule, jobs from different businesses may not be aggregated. However, in certain cases such as where CDBG funds are used to acquire, develop, or improve real property (e.g., a business incubator or an industrial park) jobs may be aggregated for all of the businesses which locate on the property, provided the businesses are not otherwise assisted with CDBG funds. Additionally, where CDBG funds are used to pay for the staff and overhead costs of a *s570.204* sub-recipient making loans to businesses from non-CDBG funds, jobs created by all of the businesses receiving loans during any one year, may be aggregated.

Additional criteria for retained jobs:

- There is clear and objective evidence that permanent jobs will be lost without CDBG assistance
 - “Clear and objective” evidence that jobs will be lost may include such evidence as a notice issued by the business to affected employees, a public announcement by the business, or relevant financial records, and
- Retained jobs are considered to involve the employment of L/M persons if 51% of such jobs:
 - Are known to be held by L/M persons when CDBG assistance is provided, and/or
 - Can reasonably be expected to “turnover” to L/M persons within two years. (See Appendix B, page. B-13, for an explanation of “turnover”.)

Reference: s570.208(a)(4)

Example: Potentially eligible activities include:

- Construction by the grantee of a business incubator which is designed to offer both space and assistance to new firms to help them become viable small businesses,
- Loans to pay for the expansion of a plant or factory, and
- Assistance to a business which has publicly announced its intention to close with a resultant loss of jobs, a majority of which are either held by L/M persons or could be expected to turn over to L/M persons during the next two years.

Records to be maintained

Where the L/M benefit is based on *job creation*, the files must include the documentation described in either (A) or (B) below:

- (A) Where the grantee chooses to document that at least 51% of the jobs will be *available* to L/M persons, documentation for each assisted business must include:
- A copy of a written agreement, containing:
 - A commitment by the business that it will make at least 51% of the jobs available to L/M persons and will provide training for any of those jobs requiring special skills or education, and
 - A listing by job title of the permanent jobs to be created, indicating which jobs will be available to L/M persons, which jobs require special skills or education, and which jobs are part-time, and
 - A description of actions to be taken by the grantee and business to ensure that L/M persons receive first consideration for these jobs, and
 - A listing by job title of the permanent jobs filled and which jobs were available to L/M persons, as well as a description of how first consideration was given to such persons for those jobs.
 - The description must include what type of hiring process was used; which L/M persons were interviewed for a particular job; and which L/M interviewees were hired.
- (B) Where the grantee chooses to document that at least 51% of the jobs will be *held by* L/M persons, documentation for each assisted business must include:
- A copy of a written agreement, containing:
 - A commitment by the business that at least 51% of the jobs on a full-time equivalent basis, will be held by L/M persons, and
 - A listing by job title of the permanent jobs to be created.
 - A listing by job title of the permanent jobs filled and which jobs were initially held by L/M persons, and
 - Information on the size and annual income of the person's immediate family prior to the person being hired for the job (for each such L/M person hired).

Reference: s570.506(b)(5).

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Where L/M benefit is based on *job retention*, the files must include the following documentation:

- Evidence that in the absence of CDBG assistance, the jobs would be lost; and
- For each business assisted, a listing by job title of permanent jobs retained, indicating which of those jobs are part-time and (where it is known) which are held by L/M persons at the time the assistance is provided; and
- Where applicable, identification of any of the retained jobs (other than those known to be held by L/M persons) which are projected to become available to L/M persons through job turnover within two years of the time CDBG assistance is provided. (Information upon which the job turnover projections were based should also be included in the record); and
- For each retained job claimed to be held by a L/M person, information on the size and annual income of the persons immediate family; and
- For jobs claimed to be available to L/M persons based on job turnover, a description concerning the items required for “available to” jobs in Section (A) on the previous page, and a listing of each job which has turned over to date, indicating which of those jobs were either taken by, or available to L/M persons. (For jobs made available, the record must include a description of how first consideration was given to such persons for those jobs).

Reference: s570.506(b)(6).

Acceptable documentation on applicant/employee family income includes any of the following:

- Notice that employee/applicant is a referral from state, county or local employment agency or other entity that agrees to refer individuals who they determine to be L/M based on HUD’s criteria.
 - These entities must maintain documentation which is to be available for grantee or federal inspection, or
- Written certification signed by the employee/applicant of family income and size to establish L/M status showing either:
 - The actual income of the family, or
 - A statement that the family income is below that required to be L/M by CDBG standards.

These forms must include a statement that they are subject to verification by the local or federal government; or

- Evidence that employee/applicant qualifies for assistance under another program with income qualification criteria at least as restrictive as those used by this program, (e.g., referrals from the Joint Training Partnership Act (JTPA) Program), except for referrals under the JTPA Title III program for dislocated workers.

Tips

In order to meet the criteria for created and retained jobs, the employee must be a member of a L/M family at the time the CDBG assistance is provided.

For created jobs, the benefit is intended for persons who are L/M income prior to being hired. For retained jobs, the family must be L/M at the time the job is retained. Thus, a high-paying unskilled job might count as a created job, but might not be counted for retention except for turnover purposes.

Objective	Qualifies If	Example	Additional
Slum or Blighted Area	Rehabilitation of residential structures located in a designated slum or blighted area; the structure to be rehabilitated is considered substandard under local definition before rehabilitation, and all deficiencies making the structure substandard are corrected before less critical work is undertaken. <i>Reference: Sect. 570.208(b)(1)(iv).</i>	Rehabilitation of substandard housing located in a designated blighted area and where the housing is expected to be brought to standard condition and sold to non-L/M income households.	For more information see staff
Spot Blight	Rehabilitation of a structure located outside a designated slum or blighted area, where the rehabilitation is limited the extent necessary to eliminate specific conditions of blight or decay that are detrimental to public health and safety.	Rehabilitation of the deteriorated exterior of an abandoned building located in an area that has been designated as slum or blighted and where the rehabilitation is limited to removal of the exterior blight. Rehabilitation of plumbing in a building located in an area that has not been designated as slum or blighted and where rehabilitation is limited to corrections of code violators that are detrimental to public health and safety.	For more information see staff
Urban Renewal Completion	Rehabilitation of property located in an Urban Renewal area and for a use that is specified in the latest approved Plan for the area.	Conversion of a warehouse to residential housing in an Urban Renewal Project area necessary to complete the Urban renewal plan.	For more information see staff
Urgent Needs	The rehabilitation is part of an activity designed to alleviate existing conditions for which the grantee certifies are a serious and immediate threat to the health or welfare of the community, the conditions are of recent origin or recently became urgent, the grantee is unable to finance the activity on its own, and other sources of funds are not available.	Rehabilitation of housing that has been badly damaged by an earthquake.	For more information see staff