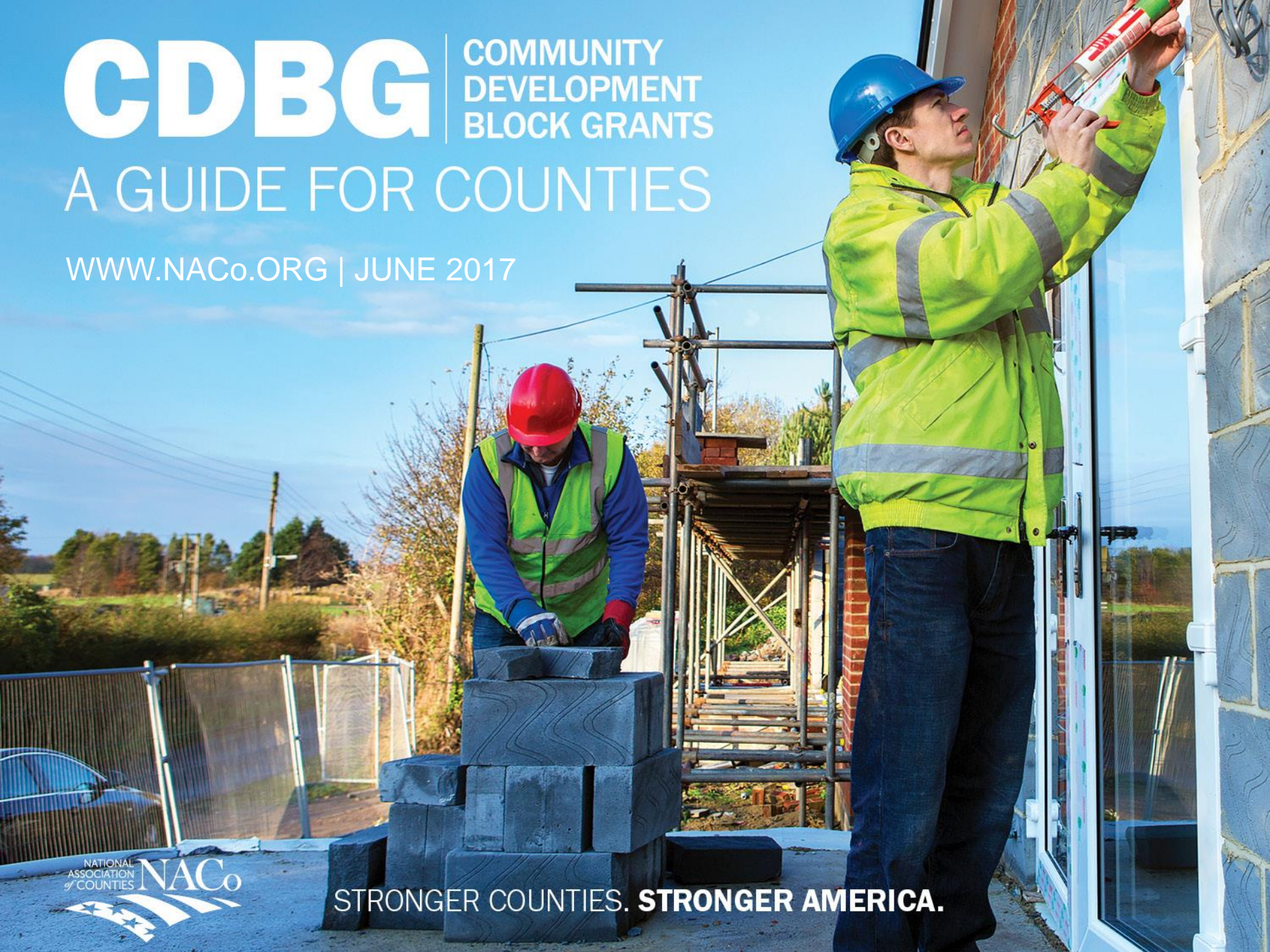


CDBG

COMMUNITY
DEVELOPMENT
BLOCK GRANTS

A GUIDE FOR COUNTIES

WWW.NACo.ORG | JUNE 2017



NATIONAL
ASSOCIATION
of COUNTIES

NACo

STRONGER COUNTIES. **STRONGER AMERICA.**

- The National Association of Counties (NACo) unites America's 3,069 county governments. Founded in 1935, NACo brings county officials together to advocate with a collective voice on national policy, exchange ideas and build new leadership skills, pursue transformational county solutions, enrich the public's understanding of county government, and exercise exemplary leadership in public service.



Healthy, vibrant and safe counties across the United States

Presentation Overview

- **Why CDBG Matters to Counties**
- **The History of CDBG**
- **How CDBG Works**
- **What's Next for CDBG?**

CDBG 101

The Community Development Block Grant (CDBG) is a federally-funded grant program, administered by the U.S. Department of Housing and Urban Development, that assists state and local governments in improving housing and living conditions and providing community services for vulnerable residents



Why CDBG Matters to Counties

Flexible Funding for Community Development

- CDBG provides **federal funding** to state and local governments, including **counties**.
 - Some **urban counties qualify**, based on population, as “**entitlement communities**” and receive **direct federal funding**.
 - Counties that do not qualify for direct funding – typically **rural counties** – are considered “**non-entitlement communities**” and can receive CDBG funds **through their states**.
- Counties use CDBG funds for projects related to **housing, community and economic development, water and infrastructure projects and human services**.
- The **flexibility** of CDBG funds allows counties to **partner** with the private and non-profit sectors to address community needs.

→ To qualify as an “entitlement community,” a county must have a population of at least 200,000, excluding the population of any “entitlement” cities within its jurisdiction

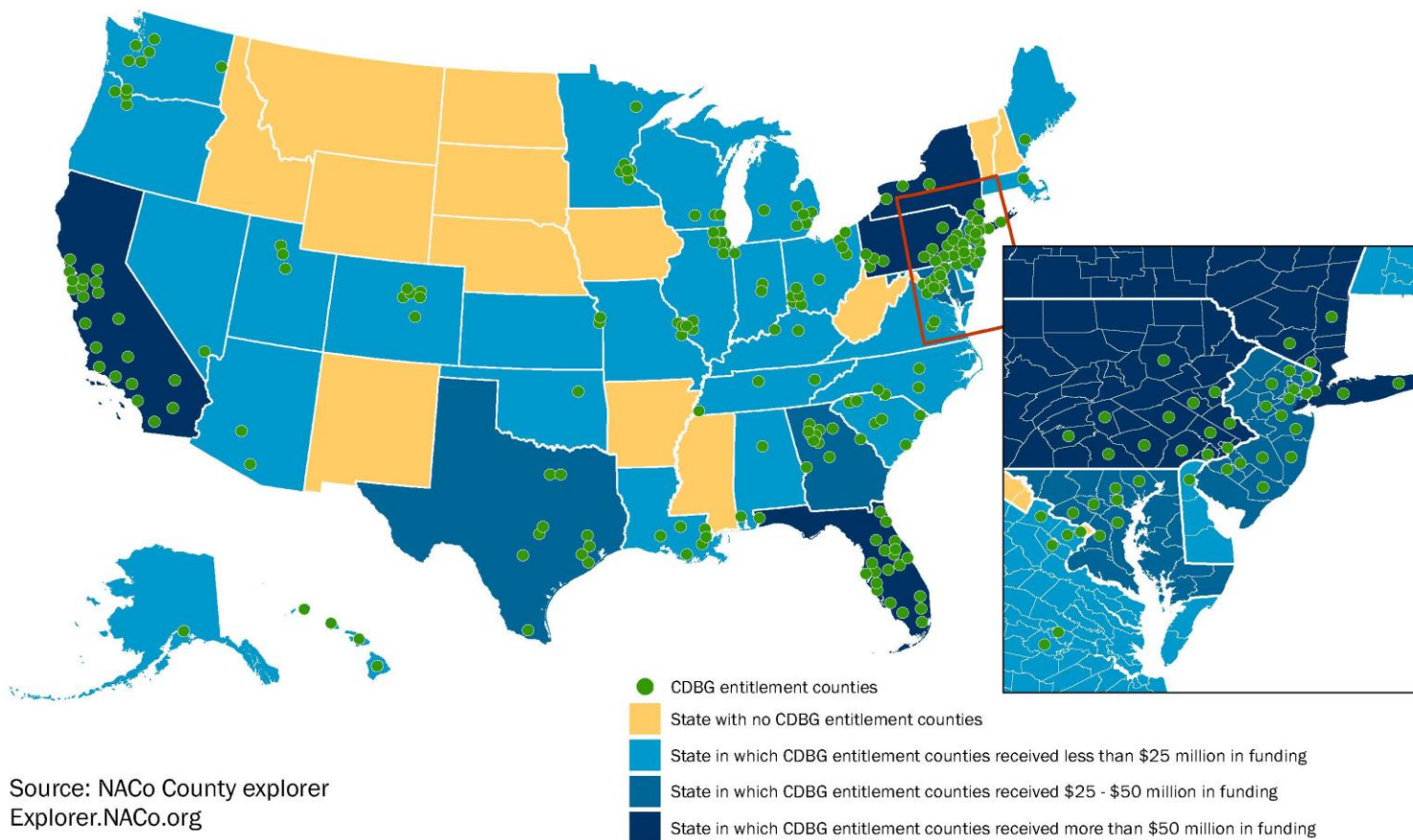
→ In FY 2017, 212 counties qualified as “entitlement communities,” receiving a total of \$800 million in CDBG funds

→ According to HUD, for every \$1 of CDBG funding, another \$4.09 is leveraged in private and/or public sector funding

Why CDBG Matters to Counties

CDBG Entitlement County Funding by State, FY 2017

CDBG Entitlement County Funding by State, FY 2017



In FY 2017, the 212 counties* across the U.S. that qualified as entitlement communities received a total of \$800 million in direct CDBG funding

*includes city-county consolidated governments, two independent cities and the District of Columbia

The History of CDBG



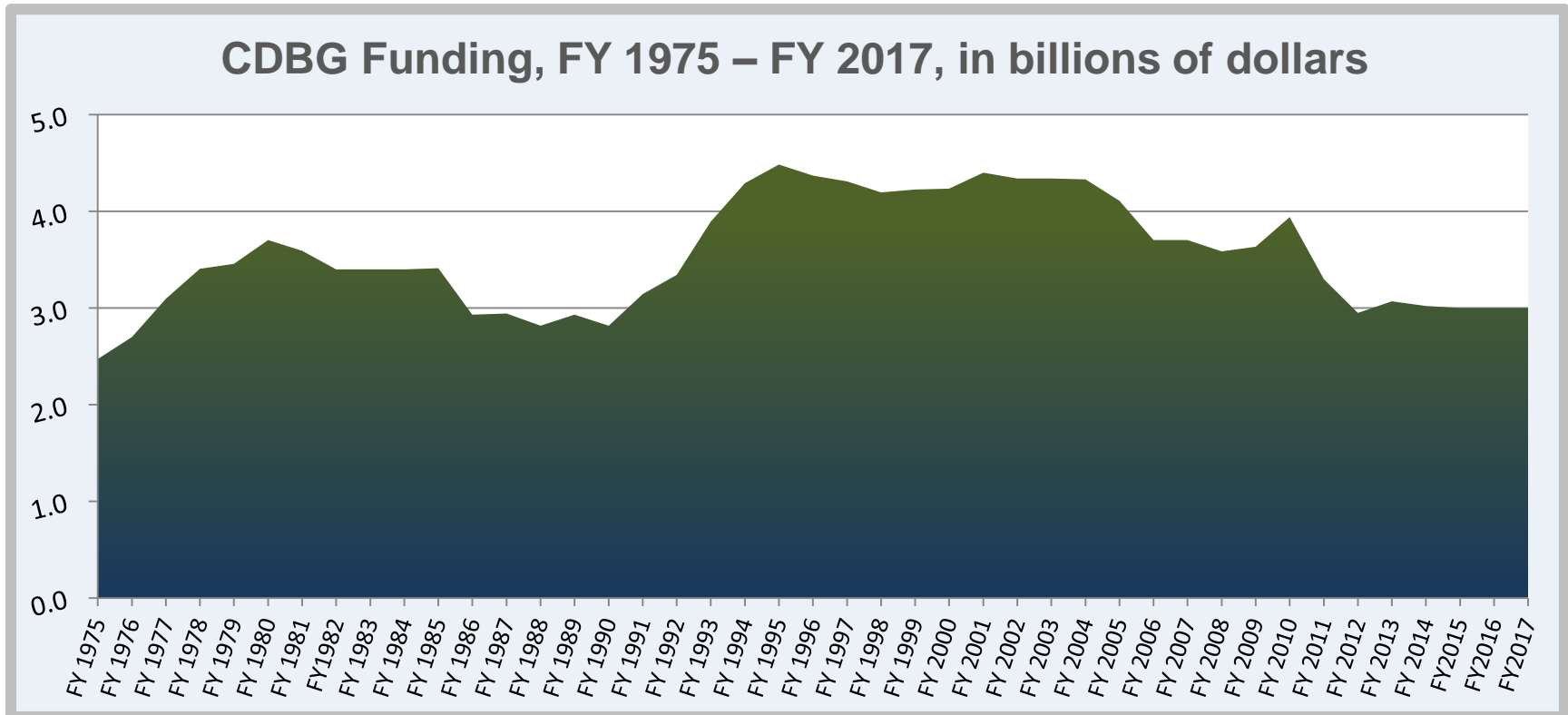
Establishment and Changes to the Program

- CDBG was **established in 1974** with bipartisan support under the presidency of Gerald Ford, through the Housing and Community Development Act (12 U.S.C. 1706e).
- In the 1978 reauthorization of the program, the **formula** currently used to set grant amounts (details on slide 14) was instituted to better serve communities with different types of problems.
- The **set aside for non-entitlement communities** was also added in the 1978 reauthorization, and was increased from 20 percent to the current level of 30 percent in 1981.
- In 1990, a “**grandfathering**” clause was added to the program to prevent entitlement communities from losing their entitlement status.



Celebrating its 40th anniversary in 2014, CDBG is one of the longest continuously run programs at the U.S. Department of Housing and Urban Development (HUD)

History of CDBG Appropriations Levels



Funding for CDBG peaked in FY 1995, when the program received \$4.485 billion. Funding levels remained at around that level for the next decade

Between FY 2005 and FY 2017, funding for CDBG decreased by more than \$1 billion, from \$4.11 billion in FY 2005 to the current level of \$3 billion in FY 2017. This represents more than a 25 percent decrease in funding over a ten-year period

How CDBG Works



Eligible Grantees and Grant Formula

Eligible Grantee	Description	Notes	Formula
<p>Entitlement Communities</p> <p>Receive 70 percent of annual CDBG funds</p>	<ul style="list-style-type: none"> Urban counties with populations of at least 200,000 (excluding the population of entitled cities) Principal cities of Metropolitan Statistical Areas (MSAs) Other metropolitan cities with populations of at least 50,000 	<p>A Metropolitan Statistical Area (MSA) is an area with at least one urbanized area with a population of 50,000 or more, plus adjacent territory that has a high degree of social and economic integration with the core, as measured by commuting ties</p>	<p>HUD determines the amount of each entitlement grant through a formula that uses several objective measures of community needs, including:</p> <ul style="list-style-type: none"> Extent of poverty Population Housing overcrowding Age of housing Population growth lag
<p>Non-Entitlement Communities (State Administered)</p> <p>Receive 30 percent of annual CDBG funds</p>	<ul style="list-style-type: none"> Those units of general and local government which do not receive CDBG funds directly from HUD: <ul style="list-style-type: none"> Counties with populations less than 200,000 Cities with populations less than 50,000 (unless designated as a principal city of an MSA) 	<p>Non-entitlement communities receive CDBG funds through states, often through a competitive application process. States develop annual funding priorities and criteria for selecting projects. HUD's role is to ensure state compliance with federal laws</p>	<p>HUD distributes funds to each State based on a statutory formula which takes into account population, poverty, incidence of overcrowded housing, and age of housing. All funds (other than administrative and the technical assistance set-aside) are distributed by States to units of general local government</p>

Eligible and Ineligible Activities

The chart below is a **non-exhaustive list** and general guideline of activities that are eligible and ineligible for CDBG funding, according to HUD. The eligibility of a proposed activity is determined by HUD or the administering state on a case by case basis

Eligible Activities	Ineligible Activities
Acquisition of real property	Acquisition, construction or reconstruction of buildings for the general conduct of government
Relocation and demolition of property	
Rehabilitation of residential and non-residential structures	Political activities
Construction of public facilities and improvements, such as water and sewer facilities, streets, neighborhood centers and the conversion of school buildings for eligible purposes	Certain income payments
Public services, within certain limits	
Activities relating to energy conservation and renewable energy resources	Construction of new housing by units of general local government
Provision of assistance to profit-motivated businesses to carry out economic development and job creation/retention activities	

Grantees must use no less than 70 percent of CDBG funds for activities that benefit low and moderate income persons over a one, two or three year period, as determined by the grantee

Grantees are allowed a 20 percent set-aside for administrative and planning expenses

Each activity must meet a national objective for the program: benefiting low and moderate income persons, eliminating slums and blight or addressing urgent community development needs

“Low and moderate income” refers to annual income that is less than the Section 8 Low Income Limit, as established by HUD, which is generally 80 percent of the area median income

How CDBG Works

Snapshot of County CDBG Activity – Lexington County, SC

As an entitlement community, Lexington County, South Carolina receives CDBG funding directly from HUD and funds projects within its jurisdiction. A notable CDBG-funded project in the county was the construction, in 2011, of a new health care facility in the town of Pelion, which is 23 miles from the nearest hospital. The [Pelion Family Practice](#) serves 2,500 patients each year.



Lexington County and community leaders at the Pelion Family Practice groundbreaking in April, 2011, and at the ribbon cutting ceremony in September of that year

The Lexington County CDBG Program provided \$712,508 for the construction of the Pelion Family Practice, and an additional \$170,000 was contributed by a non-profit community health center



CDBG requires Consolidated Plans

- To receive annual CDBG funding, an entitlement community must develop and submit to HUD its [Consolidated Plan](#).
- The Consolidated Plan is a jurisdiction's [comprehensive planning document](#) and application for funding under several HUD grant programs, including CDBG.
- In its Consolidated Plan, the jurisdiction must identify its goals for the various grant programs. The goals will serve as the criteria against which HUD will evaluate a jurisdiction's Plan and its performance under the Plan.
- The Consolidated Plan must also include several [required certifications](#), including the requirement that 70% of CDBG funds received over a period defined by the grantee will be used for activities that benefit low and moderate income persons.
- For non-entitlement communities, states develop annual funding priorities and criteria for selecting projects, while local governments consider local needs and prepare grant applications for submission to states based on those needs.



Citizen Participation

- Each CDBG grantee must also develop and follow a detailed plan that encourages citizen participation and emphasizes participation by persons of low or moderate income, particularly residents of predominantly low and moderate income neighborhoods and areas in which the grantee proposes to use CDBG funds.
- The plan must provide citizens with the following:
 - Reasonable and timely access to local meetings
 - An opportunity to review proposed activities and program performance
 - Timely written answers to written complaints and grievances
 - A description of how the needs of non-English speaking residents will be met in the case of public hearings where a significant number of non-English speaking residents can be reasonably expected to participate



Section 108 Loans

- CDBG features a **loan guarantee provision**, called the **Section 108 program**, which provides communities and states with a **source of financing** for economic development, housing rehabilitation, public facilities and large-scale physical development projects.
 - **Entitlement counties** are eligible for Section 108 loans. **Non-entitlement counties** are eligible, but must work with their state administrators to submit loan applications.
- Section 108 loans allow communities and states to transform a small portion of their CDBG funds into federally guaranteed **loans large enough to pursue physical and economic revitalization projects that can renew entire neighborhoods.**
- Section 108 loans are **not risk-free**; local governments borrowing funds guaranteed by Section 108 must pledge their current and future CDBG allocations to cover the loan amount as security for the loan.



What's Next for CDBG

Action Needed!



Potential CDBG Reforms and President's Budget Proposal

- In recent years, HUD has recommended various reforms to CDBG, including a provision that would **eliminate community “grandfathering”** – a policy that currently prevents entitlement communities from losing entitlement status – and another that would establish a **minimum grant threshold**. Such reforms would prevent smaller-sized communities, potentially including some counties, from receiving direct CDBG funding.
- While none of these proposals have gained much traction on Capitol Hill, HUD has been looking for ways to improve CDBG and held listening sessions titled **“Moving CDBG Forward.”**
- **President's FY 2018 and FY 2019 Budget** does not include these reforms and instead **would eliminate CDBG funding.**

What's Next for CDBG

COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG)

SUPPORTING LOCAL DEVELOPMENT AND INFRASTRUCTURE PROJECTS

CDBG FUNDING, FY 2010:

\$ 3.9 B

CDBG FUNDING, FY 2017:

\$ 3.0 B

CDBG PERCENT CHANGE,
FY 2010 - FY 2017:

-24%

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM

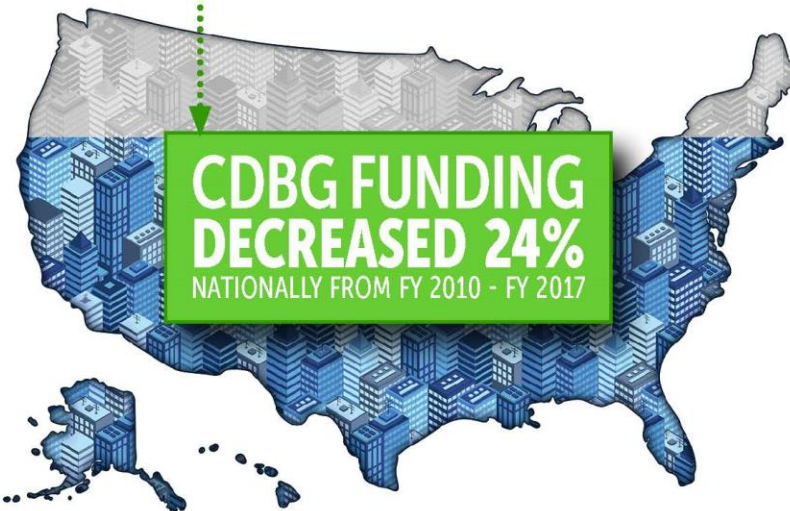
The U.S. Department of Housing and Urban Development's CDBG program provides critical funding to counties to improve their local communities and serve their most vulnerable residents. Counties use the flexibility of CDBG to partner with the private and non-profit sectors to address economic development, infrastructure and human service needs, and to create jobs through the expansion and retention of businesses. CDBG is currently funded through a Continuing Resolution (CR) expiring April 28, 2017

OUR ASK

Counties urge Congress to provide \$3.3 billion for CDBG in FY 2018 to support local community and economic development, job creation and retention projects.

*Source: NACo analysis of U.S. Department of Housing and Urban Development data
Note: The national CDBG amount includes American Samoa, Guam, Marianas Islands, Puerto Rico and Virgin Islands.*

**SUPPORT LOCAL DEVELOPMENT
AND INFRASTRUCTURE PROJECTS**



Action Alert!

- With the FY 2018 appropriations process underway, it is imperative that counties communicate with their members of Congress about the importance of CDBG funding to counties.
- “Dear Colleague” appropriations letters were sent to House and Senate Transportation, Housing and Urban Development (T-HUD) appropriations leaders, requesting at least \$3 billion in FY 2018 funding for CDBG. NACo supports \$3.3 billion in funding for CDBG.
- NACo also urges county leaders to take their members of Congress on tours of projects in their jurisdiction that have been funded through CDBG, to demonstrate the value of these funds to counties and their residents.
- For more information:
 - View [NACo’s policy brief on CDBG](#)
 - View [HUD’s CDBG webpage](#)
 - Contact Daria Daniel at ddaniel@naco.org or 202.942.4212



Questions?



Contact Us!

For questions or more information, feel free to contact us

Matthew Chase, NACo Executive Director

Deborah Cox: Legislative Director
dcox@naco.org or 202.942.4286

Daria Daniel: Community, Economic & Workforce Development
ddaniel@naco.org or 202.942.4212

Jack Peterson: Finance , Pensions & Intergovernmental Affairs
jpeterson@naco.org or 202.661.8805

Jacob Terrell: Telecommunications & Technology
jterrell@naco.org or 202.942.4236

Hadi Sedigh: Justice & Public Safety
hsedigh@naco.org or 202.942.4204

Jonathan Shuffield: Public Lands
jshuffield@naco.org or 202.942.4207

Kevan Stone: Transportation
kstone@naco.org or 202.942.4217

Arthur Scott: Agriculture & Rural Affairs
ascott@naco.org or 202.942.4230

Julie Ufner: Environment, Energy & Land Use
jufner@naco.org or 202.942.4269

Eryn Hurley: Human Services & Education
ehurley@naco.org or 202.942.4204

Brian Bowden: Health
bbowden@naco.org or 202.942.4275