

CDBG

COMMUNITY
DEVELOPMENT
BLOCK GRANTS

A GUIDE FOR COUNTIES

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ABOUT NACo

The National Association of Counties (NACo) is the only national organization that represents county governments in the United States.

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.

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CHAPTER 1

WHY CDBG MATTERS TO COUNTIES

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.



FLEXIBLE FUNDING FOR COMMUNITY DEVELOPMENT

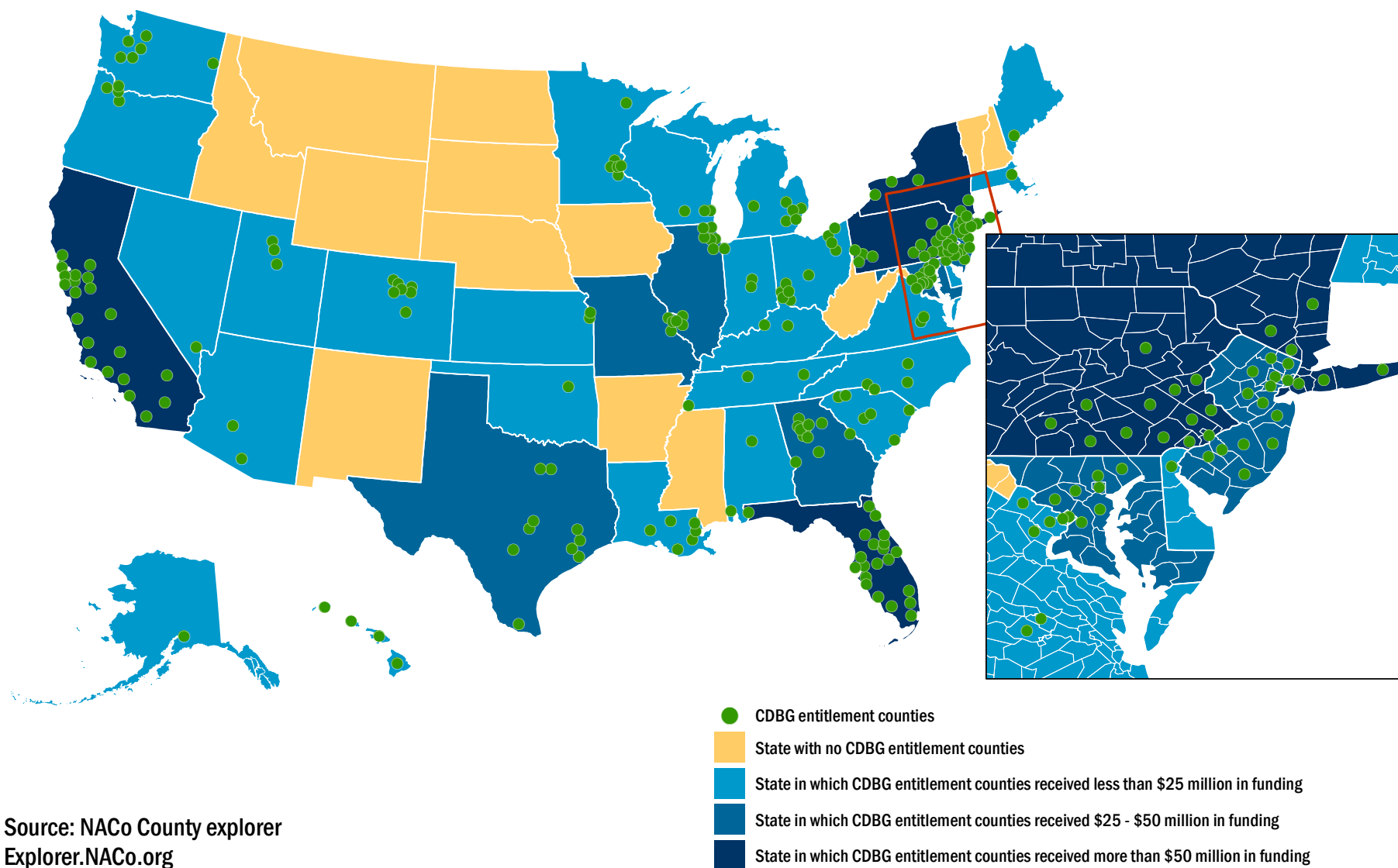
- Counties use CDBG funds for projects related to **housing, community and economic development, water and infrastructure** projects and **human services**.
- The **flexibility** of CDBG funds allows counties to **partner** with the private and non-profit sectors to address community needs.
- CDBG provides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

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

CDBG ENTITLEMENT COUNTY FUNDING BY STATE, FY 2018





CHAPTER 2

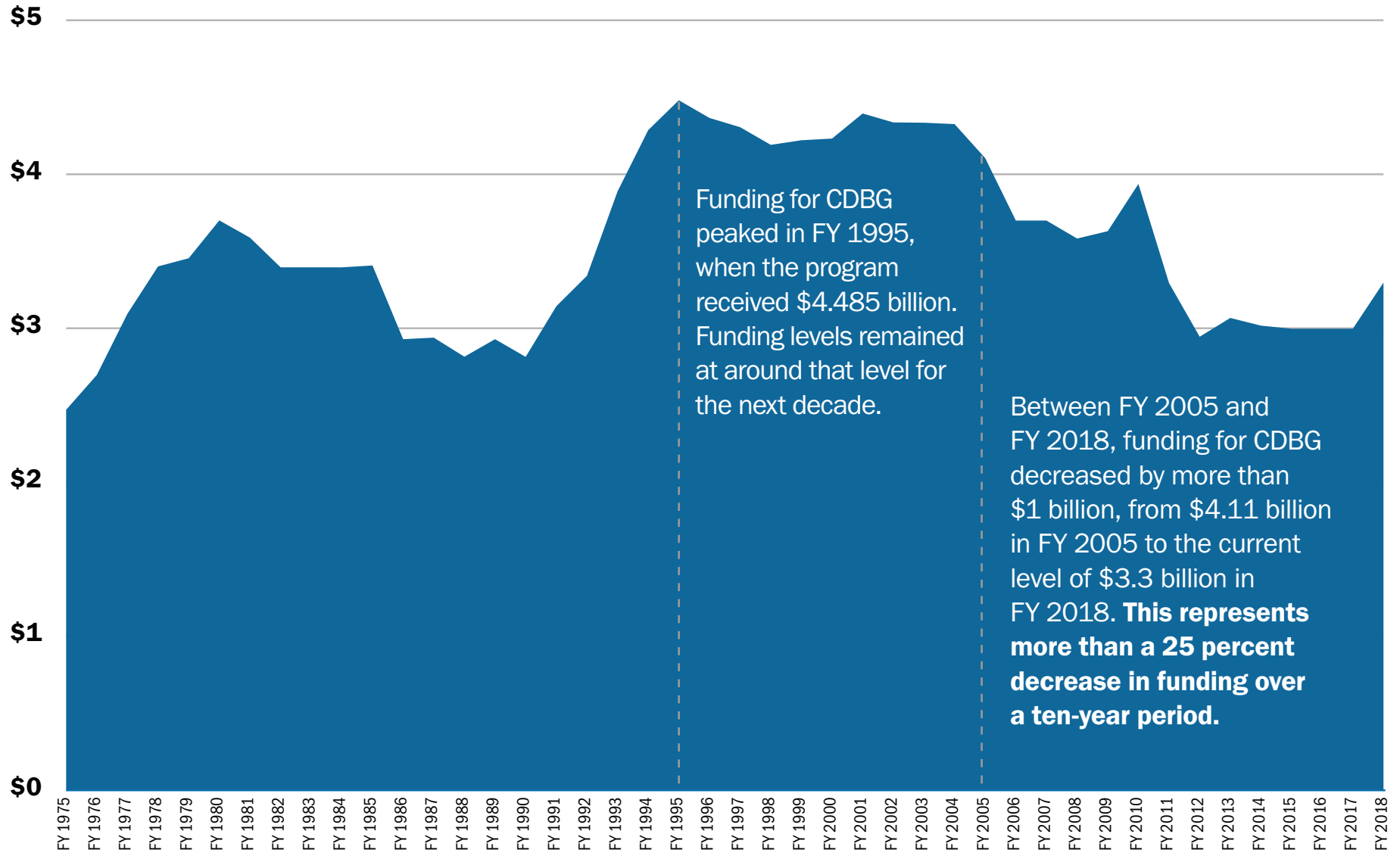
THE HISTORY OF CDBG

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.

**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

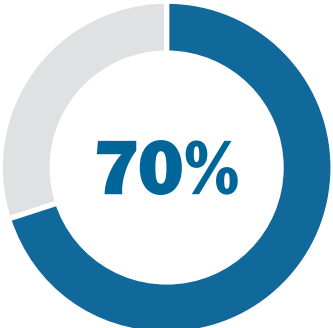


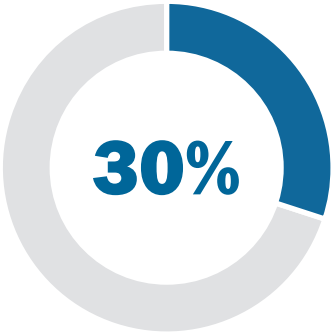


CHAPTER 3

HOW CDBG WORKS

ELIGIBLE GRANTEEES 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

ELIGIBLE GRANTEE	DESCRIPTION	NOTES	FORMULA
<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: 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

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
<ul style="list-style-type: none">• Acquisition of real property• Relocation and demolition of property• Rehabilitation of residential and non-residential structures• Construction of public facilities and improvements, such as water and sewer facilities, streets, neighborhood centers and the conversion of school buildings for eligible purposes• Public services, within certain limits• Activities relating to energy conservation and renewable energy resources• Provision of assistance to profit-motivated businesses to carry out economic development and job creation/retention activities	<ul style="list-style-type: none">• Acquisition, construction or reconstruction of buildings for the general conduct of government• Political activities• Certain income payments• Construction of new housing by units of general local government

CDBG PROGRAM REQUIREMENTS

- 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





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

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.



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





CHAPTER 4

WHAT'S NEXT FOR CDBG

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. Congress has rejected this elimination and funded CDBG at \$3.3 billion for FY 2018, a \$300 million increase over the FY 2017 levels.**

ACTION ALERT!

With the FY 2019 appropriations process underway, it is imperative that counties communicate with their members of Congress about the importance of CDBG funding to counties.

NACo supports \$3.5 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



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