

# Community Development Block Grant Program

## An Important Resource for Rural YouthBuild Programs

July 2006

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### **YouthBuild and CDBG: A Good Fit**

When a YouthBuild program is identifying possible sources of support it should turn immediately to the Community Development Block Grant Program (CDBG). The federal CDBG program is an important source of funds for community development activities in the country, yet it is often overlooked as a possible resource for YouthBuild programs, particularly in rural areas.

Participation in the CDBG program could benefit YouthBuild programs in two main ways. First, it could provide an important source of funds to support a programmatic function such as housing development, education, and social service supports. Second, CDBG program participation could enable YouthBuild to truly integrate into a community development strategy. This integration is possible because communities and states develop consolidated plans that outline specific plans and goals for community development, including the use of CDBG funds. An organization that receives CDBG funds becomes part of its community's development strategy through its association with the consolidated plan.

Information about participating in a community's consolidated planning process is detailed later in this paper. Many YouthBuild programs have already participated in this process and are accessing CDBG resources, ensuring that they are a vibrant part of their community's revitalization efforts. The CDBG program was created in part to facilitate coordination and synergy across a range of community development activities. Because YouthBuild exemplifies the ways in which education, community development, and youth

development can come together, there is a unique fit with CDBG resources. This paper, one in a series of papers written by YouthBuild USA's Rural Initiative, provides an overview and background on the CDBG program and steps local programs can take to access this community resource.

## Background of CDBG

Begun in 1974, the Community Development Block Grant program was created to provide funding for housing and other community development activities. The main goal of the CDBG program is to develop viable communities by providing funding for decent housing and the development of suitable living environments, and by expanding economic opportunities, primarily for people of low and moderate incomes. It is a principal revenue source for local communities to use to address the roots and consequences of poverty.

## Distribution of CDBG funding

The U.S. Department of Housing and Urban Development (HUD) administers the nationwide program and awards grants annually. CDBG funds are divided into two categories, entitlement funds and state funds.

### Entitlement funds

HUD distributes CDBG funding to urban areas through entitlement funds that go directly to cities and urban counties with populations of 50,000 or more and other counties with populations of 200,000 or more (excluding the population of the entitled cities). HUD determines the amount of each grant using a formula that measures community needs, including the extent of poverty, population, housing, overcrowding, age of housing and population growth lag in relationship to other cities. In turn, the cities or counties award grants to local organizations and may even operate CDBG-funded programs themselves.

### State funds

State CDBG funding is for communities that do not qualify on the basis of population for

## CDBG program goals

The goals of the CDBG programs, as defined by federal statute, are:

### To provide decent housing

- Assist the homeless to obtain appropriate housing
- Assist those threatened with homelessness
- Retain the affordable housing stock
- Make available permanent housing that is affordable to low-income residents without discrimination
- Increase the supply of supportive housing for persons with special needs

### To provide a suitable living environment

- Improve the safety and livability of neighborhoods
- Increase access to quality facilities and services
- Reduce isolation of income groups within an area through decentralization of housing opportunities and revitalization of deteriorating neighborhoods
- Restore and preserve properties of special value for historic, architectural, or aesthetic reasons
- Conserve energy resources

### To expand economic opportunity

- Create jobs accessible to low-income persons
- Provide access to capital and credit for development activities that promote the long-term economic and social viability of the community
- Establish, stabilize, and expand small businesses
- Empower low-income persons to achieve self-sufficiency to reduce generations of poverty in federally assisted public housing

entitlement funding. Most rural areas apply for funds through state CDBG programs. The government agency administering state CDBG programs varies by state; it is therefore very important to know which office within your state government administers the program. For a list of these offices, contact the HUD Information Center (see note at the end of this paper for contact information). Hawaii is the only state that chooses not to administer its own program, so HUD manages that state's CDBG program.

HUD allocates CDBG funding to states. States have great latitude in distributing the funds, but eligible activities and overarching requirements are the same for both state and entitlement grants. States must ensure that at least 70 percent of CDBG funds are used for activities that benefit people with low and moderate incomes over a one-, two-, or three-year period selected by the state, or aid in the prevention or elimination of slums or blight. Under unique circumstances, states may also use their funds to meet urgent community development needs. A need is considered urgent if it poses a serious and immediate threat to the health or welfare of the community and has arisen in the past 18 months.

Each state has considerable flexibility in operating the CDBG program. A state's annual allocation of funds may be done through a number of methods, including competitions, set-asides, distributions based on predetermined factors, or a combination of methods.

A local YouthBuild program cannot apply directly for funding. Instead, the funds must be requested by a unit of local government, which would then pass the funds on to the YouthBuild program as a subrecipient. Therefore, if a YouthBuild program is seeking funds to support a part of its program, program staff should become familiar with the ground rules of their state's CDBG program and then approach the local government to make a funding request for the specific activity. The YouthBuild staff must also ensure that the activities proposed are consistent with the state's consolidated plan. There are certain requirements (described below) related to the consolidated plan, and it is important that YouthBuild programs that want to access these resources be involved in this process.

### **The consolidated planning process**

HUD mandates that states and some local governments conduct a consolidated planning process in order to receive certain funds. This process involves the public as well as local officials. The planning starts with a needs assessment of the

community and requires public participation. The intention is to ensure that CDBG expenditures are related to a comprehensive local community development strategy.

In cities and urban areas, the consolidated planning process takes place within local government. For rural areas, the consolidated planning process operates at the state level, and, as with other aspects of the state CDBG program, varies from state to state.

The consolidated plan for housing and community development typically serves the following functions for a community:

- Provides a community-based planning document for the local government,
- Serves as the application for HUD's CDBG funding and Home Investment Partnership Act (HOME) funds,
- Describes the strategies to be used in carrying out CDBG and HOME programs for a set period of time (typically five years),
- Includes an annual action plan against which performance can be measured.

For YouthBuild programs to be sustainable, they need to be a part of a community's overall development plan. Participating in the consolidated planning process and applying for CDBG funding will help local programs embark on a path toward long-term sustainability.

## **Statutory Requirements for CDBG Funds**

There are several overarching requirements that apply to the uses of CDBG funds; these requirements fall in the categories of national objectives or additional requirements.

### **National objectives**

CDBG-funded activities must meet one of three national objectives:

1. Benefit people with low to moderate incomes,
2. Eliminate slums and blight,
3. Address urgent local needs.

Taking these in order, the basic rules are:

### 1. Low- to moderate-income people must benefit

There is a statutory requirement that CDBG funds benefit people with low to moderate incomes. For states this means that, over a period of time selected by the state (not more than three years), at least 70 percent of the funds must be used for activities that benefit people with low or moderate incomes.

HUD defines income levels as percentages of median income:

- Very low income (30 percent of median)
- Low income (50 percent of median)
- Moderate income (80 percent of median)

There are four areas in which CDBG funds can benefit people of low to moderate income. These areas are defined by HUD as *housing*, *area benefit*, *limited clientele*, and *jobs*.

**Housing.** The housing benefit criterion can be met in several ways. CDBG funds could provide single-family housing, rental units, or buydowns for people with low to moderate income. Each of these has separate methods that are eligible for funding. Please refer to the note at the end of this paper for specifics.

**Area benefit.** The area benefit relates mostly to funding used for public facilities. CDBG funds need to either improve a facility or an entire population served by that facility.

**Limited clientele.** By their very nature, certain types of facilities are likely to benefit people who are “primarily lower income,” or are “income-tied,” meaning a person must be of lower income to qualify for the activity or service. Such facilities include senior centers, shelters for victims of domestic violence, or migrant-worker service centers. Subject to documentation of actual use, these are eligible as “limited clientele” facilities.

**Jobs benefit.** The jobs-benefit indicator is the number of jobs produced by the activity and the percentage that will be available to low-income people.

### 2. There must be elimination of slums and blight

There are two ways activities can address this national objective: by focusing on blighting conditions in a designated blighted area, or by targeting individual instances of blight that are not concentrated in a designated area. Activities addressing this latter “spot-blight” criteria are generally limited to the clearance or rehabilitation of buildings.

### 3. Urgent local needs must be met

The attainment of this objective is rare, but we may see greater use of CDBG resources to meet urgent needs in the future. An urgent local need is usually caused by an extraordinary event such as a flood or other natural disaster. Mississippi and Louisiana, for example, are likely to use CDBG funds to respond to the crisis created by Hurricane Katrina.

## Additional requirements

### Relocation assistance

Federal statutes require that relocation assistance be provided to individuals displaced by government action. CDBG can provide relocation assistance. There are also a number of nondiscrimination, fair housing, and equal-opportunity requirements that apply to the use of CDBG funds. In addition, CDBG recipients and subrecipients are required to report on their accomplishments.

### Special CDBG rules for economic development

Many federal programs prohibit the provision of grant funds to private entities. This is not true of CDBG funds because the program values business investment as a way to create jobs and retention benefits for people with low to moderate income. Accordingly, a set of special rules has been established for economic development activities that require that the assistance provided be “appropriate.” This relates to the population being served and the type of assistance provided. Also, if a business commits to hiring job-training graduates for

a specific job, it is considered economic development rather than public service.

## CDBG program activities

Within the construct of the national objectives, a broad range of activities is possible, including these *eligible activities*:

- Acquisition of real property
- Relocation and demolition
- Site clearance
- Rehabilitation of residential and nonresidential properties
- Construction and improvement of public facilities, such as water and sewer facilities, streets, and neighborhood centers, and the conversion of schools for eligible purposes
- Development of new housing (by a community-based development organization)
- Provision of social services, with some limitations and special provisions for community-based organizations

The following *ineligible activities* are forbidden (with some exceptions for community-based organizations):

- Building where general governmental activities take place (such as city halls). However, special purpose facilities, such as fire or police stations or libraries that serve a neighborhood, are eligible.

- New housing construction
- Ongoing income payments to people with low incomes
- Equipment purchases and operating and maintenance expenses (unless part of a public service activity)

## YouthBuild uses for CDBG

As noted above, CDBG can support a local YouthBuild program by granting funds for carrying out improvements in a neighborhood, including infrastructure and neighborhood facilities. In addition, CDBG could fund specific YouthBuild program activities. The housing training site could be built or rehabilitated with CDBG funds if done by a community-based organization. YouthBuild could hire a GED teacher, a counselor, or a social service coordinator with CDBG funds. Transportation could be provided in many ways for the YouthBuild students, including taxi vouchers or the purchase of a van.

## Conclusion

The CDBG program is one of the most flexible sources of funds available to support community development activities. It is imperative that Youthbuild directors and development staff become familiar with the program and the way it operates in their jurisdictions.

### Note

*This paper is intended as a general review of the CDBG program to provide YouthBuild staff with general familiarity regarding its potential as a YouthBuild resource. This is a very complicated subject, and there are a number of special rules, qualifications, and exceptions to the use of CDBG funds that cannot be explicitly covered in a short publication such as this. We encourage readers of this paper to read further about CDBG, starting with the following resource:*

CDBG: An Action Guide for the Community Development Block Grant Program is an excellent reference. This, and many other informative documents, are available from Community Connections, the HUD Information Center (1- 800-998-9999; <http://www.hud.gov/assist/contactus.cfm>). At HUD headquarters, the phone numbers for the Entitlement Communities Division and the State and Small Cities Division are, respectively, (202) 708-1577 and (202) 708-1322.