

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)



2018 – 2019

PROGRAM GUIDELINES AND APPLICATION

23 Russell Blvd., Suite 1
Davis, CA 95616
Mary Rice: (530) 757-5623



December 20, 2017

Dear Prospective Applicant(s):

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

**2018-2019 COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
PROGRAM AND ALL OTHER REQUESTS FOR DISCRETIONARY FUNDS**

Background

The City of Davis is an entitlement city in the U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) Program. Since its initial participation in the CDBG Program, over \$24 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 will run from July 1, 2018 through June 30, 2019. The City of Davis received \$570,931 in CDBG allocation last year. The City expects to receive slightly less than that amount this coming year. The City will not know the exact amount of the allocation until sometime during the process. A maximum of twenty percent may be reserved for City fair housing activities, CDBG program administration, and other special City planning projects. 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.

The Application

The Application can be found in **Section 7**. Instructions for completing the application can be found in **Section 6**. The City requires the body of the grant proposal be limited to no more than five pages, **including** the performance schedule and budget. Applicants may adjust the spacing as necessary to adequately describe their project, **provided the application remains within the page limit**. 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.

Funding Limitations

The federally-funded Community Development Block Grant program limits the amount of funds that can be spent in two categories, 1. Public Service and 2. Administration. The total of all Public Service contracts cannot exceed 15% of the total grant. Administration (or related activities) cannot exceed 20% of the total grant. Thus,

approximately 65% of the total grant can be spent for "other activities" as listed in **Section 9**. **Note: The City will not consider any grant requests smaller than \$5,000.**

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

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**). The evaluation criteria used by staff and commissions is included in **Section 3**. 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.

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. **It is strongly recommended that all applicants attend this workshop.** The workshop will be held:

**Thursday, January 11, 2018
10:00 am – 12:00 pm
Community Chambers at City Hall
23 Russell Blvd
Davis, CA 95616**

An electronic version of the proposal must be received by the City of Davis via-email no later than 5:00 pm on Monday, January 22, 2018. Proposals received after this date **will not** be accepted. No exceptions will be granted, and no paper copies will be accepted, except for those applicants that have been directed to submit paper applications. Submit your application via e-mail to Mary Rice at mrice@cityofdavis.org

NOTE: All documents should be submitted in Word Format, not as a PDF.

Final funding levels, project categories, and recipients will be determined by the City Council in **April 2018**. (See **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: 2016-2017 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 Application Worksheets and Instructions
- Section 7: CDBG Program 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 Mary Rice at mrice@cityofdavis.org or (530) 757-5623.

I wish you the best of luck with the application process.

Sincerely,

Lisa A. Baker
Senior Grants Manager
Yolo County Housing

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. Organizations must 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.

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 over \$24 million since 1984 and has awarded grants to over 43 unduplicated non-profit and governmental agencies.

Who is eligible for CDBG funds? The City has many options for implementing the CDBG program. It 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 types of activities are CDBG funded? 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 extremely low income (up to 30% of median income) to lower income (up to 80% of median income) person(s) and household(s.) In Davis, at least 70% of the activities of a project must serve this population.

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 the CDBG award. HUD reviews the council's funding decisions and must approve the projects and funding levels approved by the Council. During the review process, there are multiple opportunities for public comment either in writing to the City and/or during the public comment periods at the publicly advertised open meetings of the Commission and/or City Council.

How can I find out more about the CDBG Program? Contact Mary Rice, Management Analyst, at (530) 757-5623, or mrice@cityofdavis.org.

The complete FY 2018-2019 Request for Proposals (RFP), with application, can be downloaded by visiting the main City website at www.cityofdavis.org and finding the CDBG HOME Request for Proposals link, under the Spotlight section on the left-hand side of the page.

SECTION 2

2017-2018

GRANT PROGRAM

SCHEDULE

**2018-2019 COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) AND HOME INVESTMENT
PARTNERSHIPS (HOME) PROGRAM
REQUEST FOR PROPOSALS AND AWARD SCHEDULE
(Dates Subject to Change)**

November 20, 2017	Social Services Commission: Recommendation of Critical Needs List
December 19, 2017	City Council (Public Hearing): Final Approval of Critical Needs List and Request for Proposals (RFP) Schedule
December 20, 2017	RFP released
January 11, 2018	Applicant Workshop (Applicant participation is strongly encouraged)
January 22, 2018	Proposals Due to Housing and Grants Management Division staff no later than 5:00 p.m. (Postmark will <i>not</i> be accepted)
February 12, 2018	Proposals are posted online and any necessary paper distribution to Commission and City Council
February 27, 2018	Staff, Commission and City Council questions/requests for information are submitted to staff
March 1, 2018	Questions are distributed to applicants
March 9, 2018	Applicant responses to questions due no later than 5:00 p.m.
March 16, 2018	Funding recommendations sent to Social Services Commission
March 19, 2018	Social Services Commission (Public Hearing): Funding Deliberations/Recommendations to City Council
April 12, 2018	Funding recommendations sent to City Council
April 2018	City Council (Public Hearing): CDBG/HOME Funding Decisions
May 15, 2018	One-Year Action Plan submitted to HUD
May - June 30, 2018	HUD review and approval of One-Year Action Plan
July 1, 2018	2017-2018 CDBG/HOME Program Year begins

SECTION 3

COPY OF EVALUATION CRITERIA

TO BE USED BY THE

CITY COUNCIL, SOCIAL SERVICES

COMMISSION, AND STAFF

2018-2019 CDBG EVALUATION CRITERIA

ABSOLUTE THRESHOLD (If the answer is no to any of these six criteria after staff follow up, then the proposal will **not** be recommended for CDBG funding.)

YES NO

- | | | |
|---|-------|-------|
| 1. Is the proposal complete? | _____ | _____ |
| 2. 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? | _____ | _____ |
| 6. Are at least 70 percent of those benefiting low/ moderate-income persons/households? | _____ | _____ |

BENEFIT

7. How many **Davis** persons/households will benefit?
8. What percentage of the beneficiaries are extremely low, very-low, lower/moderate-income **Davis** persons/households?
9. What is the cost per beneficiary?
10. Are the beneficiaries already served by another program/funding source?

NEED

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

PROGRAM DESIGN

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

BUDGET/FUND LEVERAGING

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

ORGANIZATIONAL CAPACITY

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

SECTION 4

INCOME LIMITS TO DETERMINE SERVICE
TO EXTREMELY LOW, VERY LOW AND LOWER/MODERATE INCOME
PERSONS/HOUSEHOLDS

INCOME LIMITS

In order for individuals and households to qualify for service as a “low to moderate” income recipient of services, they must meet the federal income limits. The current limits are listed in the table below. (Income limits change annually.)

The **2017 Median Family Income** for Yolo County (PMSA) is **\$74,700**

Program - CDBG			
# in Household	80% of Median Moderate Income	50% of Median Low-Income	30% of Median* Extremely Low-Income
1	\$41,850	\$26,150	\$15,700
2	\$47,800	\$29,900	\$17,950
3	\$53,800	\$33,650	\$20,200
4	\$59,750	\$37,350	\$22,400
5	\$64,550	\$40,350	\$24,200
6	\$69,350	\$43,350	\$26,000
7	\$74,100	\$46,350	\$27,800
8	\$78,900	\$49,350	\$29,600

These limits 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, and 80% of median yearly income. These figures are based on the Primary Metropolitan Statistical Area (PMSA) median yearly income.

*The Office of Affordable Housing Programs has already advised that the 30%-of-area-median should be used as the definition of extremely low-income persons/families. After consultation among all four formula programs, CPD has confirmed that ALL CPD programs included in the Consolidated Plan should be using the HOME income limits under which extremely low-income families are identified by the 30 percent income limits as opposed to the Section 8 limits which are adjusted for poverty.

The effective date of these CDBG income guidelines is 4/2017. The limits may change within the first quarter of each year.

SECTION 5
INSURANCE AND BONDING
REQUIREMENTS

INSURANCE AND BONDING REQUIREMENTS - After Approval and Award

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 or occur until at least **ten (10) days after receipt of such 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 agents, officers, employees and volunteers) 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 each document and may return the certificate requiring specific changes before approval is given.

SECTION 6

CDBG APPLICATION WORKSHEETS

AND INSTRUCTIONS

2018-2019 CDBG APPLICATION INSTRUCTIONS

The Application form is in Section 7 of these guidelines, and in the Spotlight section on the City website located at www.cityofdavis.org.

Part One: Most are self-explanatory. When listing a contact person, please list the best contact to get information to and from the organization as quickly as possible.

Organization Name: Please list the name of your organization, and specify if your organization operates under a DBA. _____

Name: Include the name of the applicant who is the point of contact for the application, as well as their title and phone number.

Mailing address/Email Address: Include the mailing address for your organization - where you want documents and correspondence related to the grant application mailed.

Proposed Project Location: Indicate the location where the project activities will take place.

NOTE: if the location needs to remain confidential for the safety of program participants, please notify City staff of project location separately.

Part Two: This next section will be the specific request for the grant funds and the eligible activity category for the project.

Total Proposal Request: \$ _____ **Minimum Request:** \$ _____

List the total amount of grant funds being requested for the project. In addition, list the minimum amount of funds the organization could receive for the project to be viable.

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

CDBG Eligible Activities Categories: (List A)

Public Service

Public Facilities/Improvements

Housing/Special Activities by Sub-recipients

Special Economic Development

Acquisition of Real Property

Other, specify _____

National Objective Compliance/Low and Mod Benefit: Choose the “National Objective Compliance/Low-Mod Benefit” for the proposed project and enter on Page 1 of the Application.

See **Section 9** - National Objectives for a more detailed description. If you have questions about eligible populations, please contact grants staff.

“National Objective Compliance/Low-Mod Benefit” (List B)

_____ Area Benefit Limited Clientele _____ Housing

City Council Identified Critical Needs: Enter three Critical Needs as identified in the Critical Needs List, included in Section 8 of the packet.

Beneficiary Information:

Total number of beneficiaries in program

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

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

Part Three: This section includes specific descriptions of the project, project location, target groups, outreach, coordination with other agencies and the timeline.

Scope of Proposal: (You may adjust the spacing as necessary, however the body of the application may not exceed five (5) pages, including the performance schedule and budget.)

- a. **Need/Target Group** Document need for program. Identify and quantify the number of extremely low to lower/moderate income persons/households to be assisted by the project/activity. If the program works with a particular target group (e.g. homeless persons or youth), please identify the target group and its need for this assistance. If this project has been previously funded, please identify its accomplishments and how this funding would build on prior funding and how it does not replace other funding (no supplanting rule). CDBG funds can only be used for expenditures which must provide directly benefit to CDBG-eligible clients.
- b. **Project Description/Benefit** Describe the proposed 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 and how the proposed CDBG funding would create or expand services. **Discuss the cost-per-beneficiary in relation to private entities and other organizations delivering similar services.** How does the proposed project respond to the critical needs listed in Section 8?
- c. **Outreach** Discuss outreach efforts for the proposed activity/project; provide a list of the languages your current advertising is in, as well as the capacity of your organization to provide services to individuals who do not speak English. How do you partner with other organizations to meet the needs of your clients?
- d. **Organizational Capacity** Summarize the organization's background/programmatic capacity, including major grant awards and organizational structure. Does your organization or proposed service fill a unique niche among clients who are not currently served, or are under-served?
Attach a **list of the Board of Directors and Agency officers**. Include a copy of your **non-profit or organizational incorporation**. If a non-profit, include a **copy of your most recent 990**. If a for profit, include a copy of most recent audit. **If subject to the federal Single Audit, please include your most recent Single Audit.**
- e. **Partnerships and Other Resources** Has your organization developed this project in collaboration with other groups offering services?
What services offered by other community groups complement the proposed project?
Are the proposed activities duplicative of projects operated by other local public or non-profit organizations?
Identify other potential or actual sources of funds. What fundraising has the organization done to support the proposed project? What role do volunteers play in this project?

PERFORMANCE MEASUREMENTS AND SCHEDULE

Prepare a Performance Measurements and Schedule table listing the major activities, the direct product/service numbers for each activity, the outcome description and the date the activity is projected to be completed using the template provided.

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)	COMPLETION DATE (When the specific task is completed)
Example: Pediatric health care for “sick,” low/moderate income children in Davis without any form of health coverage	Example: Provide pediatric health care to at least <u>97</u> “sick,” low/moderate income children in Davis without any form of health coverage	Example: Improved access to healthcare for program participants Improved quality of life for program participants	Example: June 30, 2019

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.

For Public Services projects without a construction or rehabilitation component, use the **Budget Summary for Proposed Project** budget table (on page 24).

For Public Facilities projects with a construction or rehabilitation component, use the **Capital Budget Summary** budget table (on page 25).

SECTION 7

2018-2019

COMMUNITY DEVELOPMENT BLOCK GRANT

APPLICATION FORM

CITY OF DAVIS

2018-2019 COMMUNITY DEVELOPMENT BLOCK GRANT APPLICATION

PART ONE:

Organization Name: _____

Name: _____ Title: _____ Phone: _____

Mailing Address: _____

Email Address: _____

PART TWO:

Proposed Project Location: _____

If the project is a capital project, an economic development activity or a target area project, include a copy of the map showing the project areas boundaries, the census tracts/block groups (ct/bg) and the low/mod percentage in each ct/bg.)

Total Proposal Request: \$ _____ Minimum Request: \$ _____

CDBG Eligible Category: _____

(See List A in Application Packet)

National Objective Compliance/Low and Mod Benefit: _____

(See List B in Application Packet)

City Council Identified Critical Needs: (See List C in Application Packet)

- 1) _____
- 2) _____
- 3) _____

Beneficiary Information:

_____ Total number of beneficiaries in proposed project
_____ 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) **CITY OF DAVIS**

2017-2018 COMMUNITY DEVELOPMENT BLOCK GRANT APPLICATION

PART THREE: Scope of Proposal

a. **Need/Target Group** (Describe the need for the activity and the group being served)

b. Project Description/Benefit (Activity Summary: Describe the activities of the proposed budget and benefit)

c. Outreach (Describe the outreach your organization will provide for the CDBG-funded project, as well as provide a list of the languages currently included in your organizational outreach)

d. Organizational Capacity (Summarize your organizational capacity for the proposed project)

e. Partnerships and Other Resources (List other agencies you collaborate with and indicate whether or not your proposed project is duplicative of other projects operated by local public or non-profit organizations)

PERFORMANCE MEASUREMENTS AND SCHEDULE

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)	COMPLETION DATE (When the specific task is completed)

CITY OF DAVIS
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM
BUDGET SUMMARY FOR PROPOSED PROJECT*

Budget Category	CDBG Portion			Other Funds for Project (Non-CDBG)					TOTALS
	Salaries & Wages	Fringe Benefits	Total Salary + Fringe	Other Federal Funds	State Funds	Local Funds	Private Funds (List Source)	Other (List Source)	
Salaries/Wages (Specify each position)									
Direct Service Personnel									
1.									
2.									
Administrative Personnel									
1.									
2.									
Consultant/Contract Services									
TOTAL PERSONNEL BUDGET									
Supplies and Equipment for Service Delivery									
DIRECT SERVICE SUPPLIES AND EQUIPMENT BUDGET									
Office Rent									
Utilities									
Telephone									
Office Supplies									
Project Supplies (Specify)									
Printing									
Travel									
Training									
Internet									
Postage									
Other (Specify)									
TOTAL DIRECT SERVICE BUDGET									
ADMINISTRATIVE COST BUDGET									
Insurance									
Fidelity Bond									
Utilities									
Telephone									
Other (Specify)									
TOTAL DIRECT COST BUDGET									
TOTAL PROJECT BUDGET									

* Please revise this form and annotate budget items as needed

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	CDBG Portion				Other Funds For Project (Non-CDBG)					
	Salaries & Wages	Fringe Benefits	Total Salary + Fringe	Direct Project Related Costs	Other Federal Funds	State Funds	Local Funds	Private Funds (List Source)	Other (List Source)	TOTALS
Project Development and Management Staff										
Salaries/Wages (Specify each position)										
1.										
2.										
3.										
4.										
Land Acquisition										
Design										
Architect										
Engineer Fees										
Materials										
Other: (Specify)										
Other: (Specify)										
Other: (Specify)										
Final Development										
Materials										
Soft Costs										
Carrying Costs										
Fees										
Permits										
Other: (Specify)										
Other: (Specify)										
Renovation or Construction (Specify Each)										
Electrical										
Plumbing										
Heating										
Interior Rehabilitation										
Exterior Rehabilitation										
Grounds										
Improvements										
Framing										
Other: (Specify)										
TOTAL PROJECT BUDGET										

* Please revise this form and annotate budget items as needed

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

SECTION 8

CRITICAL NEEDS

CITY OF DAVIS

CRITICAL NEEDS LIST

CDBG and HOME Programs

Program Year 2018-2019

I. CDBG GENERAL POLICIES

The City of Davis has prioritized CDBG federal funding for two kinds of services: 1) Public Service awards to providers of services benefiting individuals and families and 2) Non-Public Service awards for construction and rehabilitation of affordable housing projects. The following are general policies that will be applicable to all CDBG grant applications:

- Applications should not be less than the minimum amount of \$5,000
- Grant awards will not exceed the requested amount stated in the application
- Documentation of collaboration with other agencies is required and must be addressed in the written proposal
- All programs must serve extremely low to low income families or individuals

Organizations applying for CDBG funds receive preference if one or more of the following are met:

- Serve clients who are very low and extremely low income (below 50% of median income).
- Leverage funds from the community or other private sources or use volunteers as part of its plan
- Efficiently deliver services—maintain a low cost beneficiary ratio in relation to private and other organizations delivering similar services.
- Fill a unique niche among clients who are not currently served, or who are underserved. This includes new programs and initiatives.
- Have an annual organization budget of less than \$500,000.
- Focus on prevention and early intervention activities throughout the life cycle – that is, address issues before they develop or at an early stage to avoid more intensive treatment.
- Spend the majority of the grant on serving those in need rather than on administrative costs.

Public Service Funds

Organizations providing health or human services programs are encouraged to apply. The following is a list of programs that have been considered for or have received funding in the past. This is a partial list for illustration purposes only.

Prevention and Early Intervention

Child and Youth Services

- Care for preschool children
- Child abuse prevention
- Youth drug and alcohol abuse prevention and counseling services
- Assistance to youth leaving foster care

Health Care

- Basic health care
- Health screening, education and outreach services

- Transportation to improve access to care

Homeless Services

- Shelter
- Housing counseling
- Housing First programs
- Emergency shelter for domestic violence victims

Hunger Services

- Food distribution, congregate meals, home-delivered meals to homebound individuals

Mental Health Services:

- Crisis Intervention Services
- Employment and socialization programs for those with chronic mental illness and those with disabilities
- Substance abuse prevention programs
- Self-sufficiency education services
- Outreach programs to raise awareness of mental health concerns and empower individuals to respond effectively to mental health crises

Senior Adults and Individuals with Disabilities

- Senior abuse prevention services
- Caregiver support and education services
- Self-sufficiency education services including money management
- In-home care, respite care, and adult day care
- Care coordination to maintain individuals in the least restrictive environment
- Visitor support services

Treatment and Support Services

Child and Youth Services:

- Domestic violence and trauma intervention services
- Services for foster youth
- Drug and substance use intervention and treatment services

Homeless Services:

- Transitional housing

Mental Health Services

- Treatment services for children and youth; adults and senior adults; those with disabilities; families

Non-Public Service Funds

Non-Public Service dollars may be used for one of the following four categories: Housing, Removal of Barriers to Accessibility for the Physically Disabled, Public Facilities, and Neighborhood Revitalization. **The highest priority is for new construction and rehabilitation of housing and public facility projects that serve very-low and extremely-low income persons/households, especially permanent supportive housing projects.** The City also focuses an annual allotment of CDBG funding towards the removal of barriers to accessibility in and around public facilities and in the public right-of-way.

1. **Housing:** The federal program allows funds for the development of affordable housing units that meet one of the following criteria:
 - Target Individuals with very low-income or extremely low-incomes or those with physical, mental or developmental disabilities
 - Use Rental Subsidies for families with very low incomes, or to temporarily subsidize individuals to prevent homelessness, or for transition of adults from homelessness to permanent housing and permanent employment.
 - Improve Accessibility—to maximize fully accessible residential units and projects which increase visitability and accessibility.
 - Promote Sustainability—by rehabilitating existing affordable housing for extremely low-income, very low-income, and low-income residents.

2. **Accessibility for Individuals with Physical Disabilities:** Removal of architectural barriers with emphasis on widely-used public facilities.

3. **Public Facilities:** Facilities used to serve those identified as having critical needs as well as for community-wide services. Within this category, priority is given to the construction of substance abuse and detox facilities as well as a local adult day center.

4. **Neighborhood Revitalization:** Targeted toward activities that improve housing, economic development and community services in areas with 50% or more of the residents qualifying as low-income.

SECTION 9

HUD ELIGIBLE ACTIVITIES
HUD NATIONAL OBJECTIVES

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

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

The first 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"> ● Benefiting low and moderate (L/M) income persons, ● Addressing slums or blight, and ● Meeting a particularly urgent community development need.

The second 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 third 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 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 70% of CDBG funds will benefit L/M income persons over one program year. The procedure for calculating overall program benefit to L/M income persons is described in Chapter 3, “Meeting a National Objective” found in the Guide to National Objectives and Eligible Activities for CDBG Entitlement Communities. This chapter is found using the following link:

<https://www.hudexchange.info/resource/89/community-development-block-grant-program-cdbg-guide-to-national-objectives-and-eligible-activities-for-entitlement-communities/>.

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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 2 CFR Part 200, “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards”, as applicable.

For further information regarding this process, please refer to the requirements of 24 CFR 85, “Administrative Requirements for Grants and Cooperative Agreements to State, Local, and Federally Recognized Indian Tribal Governments”.

ELIGIBLE ACTIVITY CATEGORIES

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

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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 meets 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.
- 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

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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

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.

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Objective	Qualifies If	Example	Additional
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.

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.

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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).*

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 firefighting 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**.

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).*

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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.

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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, sidewalks, 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.
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.

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Objective	Qualifies If	Example	Additional
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

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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.

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.

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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).*

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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 *s570.207(a)(3)*
 - Payments to individuals for their food, clothing, rent, utilities or other income payments *s570.207(b)(4)*
 - 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.

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

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- 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 (orless 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.

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Objective	Qualifies If	Example	Additional
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.

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.*

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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.

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.

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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.

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.

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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.

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 organization
 for 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).*

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- 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.

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.
 - 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.

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,

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- 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 neighborhood 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)*,

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- 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.

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).

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.

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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 – 2
L/M LIMITED CLIENTELE	2 – 4
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L/M JOBS	2 – 7
SLUMS AND BLIGHT	2 – 10
SLUM OR BLIGHTED AREA	2 – 10
SPOT BLIGHT	2 – 10
URBAN RENEWAL COMPLETION	2 – 10
URGENT NEEDS	2 – 10

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 benefiting 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 areas 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.

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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.

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.

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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

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- 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.

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:

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- **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.

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.

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)*

<p>Example: Potentially eligible activities include:</p> <ul style="list-style-type: none">• 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.

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- 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).*

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.

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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 areas: the structure to be rehabilitated is considered substandard under local definition before rehabilitation, and all deficiencies making the structure sub-is considered substandard under local definition before rehabilitation, and all deficiencies making the structure sub-standard are corrected before less critical work is undertaken. Reference: Sect. 570.208(b)(1)(iv).	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 a 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