

Eligible/ In-Eligible CDBG Activities

Eligible Public Facility and Improvement Projects	CDBG Conditions
Sewer and Water Facilities	<p>These projects may be undertaken on an interim basis in areas exhibiting objectively determinable signs of physical deterioration where it was determined that immediate action is necessary to arrest the deterioration and that permanent improvements will be carried out as practicable to repair:</p> <ul style="list-style-type: none"> ➤ Streets; ➤ Sidewalks; ➤ Parks; ➤ Playgrounds, ➤ Publicly owned utilities; and ➤ The execution of special garbage, trash, and debris removal, including neighborhood cleanup campaigns, but not the regular curbside collection of garbage or trash in an area.
Streets and Sidewalks	
Curbs and Gutters	
Parks and Playgrounds	
Senior Citizens' Center	
Parking Lots or garages	
Utility Lines	
Recreation Center	
Police or Fire Station in which services to the public are actually provided (as opposed to administrative offices).	<p>Fire protection equipment including fire trucks, fire fighters' protective clothing, "jaws of life," and other life-saving equipment are eligible for CDBG funding under Public Facilities and Improvements as this equipment is integral to the fire protection facility.</p>
City Halls, or government centers	<p>The Community Development Block Grant funds may be used by the grantee or other private or public non-profit organizations to develop, improve, or install a public facility except for buildings used for the general conduct of government.</p> <p><i>"Buildings for the general conduct of government"</i> means:</p> <ul style="list-style-type: none"> • City halls; • County administrative buildings; • State capital or office buildings; and • Other facilities in which the legislative, judicial, or general administrative affairs of government are conducted. <p>In all cases, a National Objective must be met and eligible costs include:</p> <ul style="list-style-type: none"> ➤ Energy improvements; ➤ Removal of architectural barriers – including those in a building used for the general conduct of government (typically city halls or county government centers) – however CDBG funds may be used in these buildings to remove architectural barriers that restrict the movement of the elderly or persons with severe disabilities, and ➤ Aesthetic improvements to public structures or buildings.
Aesthetic amenities on public land such as landscaping (trees, sculptures, pools of water and fountains and other works of art).	<p>These include all improvements and facilities that are either publicly owned or that are traditionally provided by government, or owned by a non-profit, and operated so as to be open to the general public.</p>
Jails or prisons	<p>Jails are considered to benefit the entire community served by the facility and thus would may qualify under the L/M Income Benefit national objective only if the percentage of L/M income persons in the entire jurisdiction is sufficiently high to meet the "area benefit" test.</p>
Library	<p>Public facilities that serve the entire jurisdiction of the grantee, a main library for example, may qualify under the L/M Income Benefit national objective only if the percentage of L/M income persons in the entire jurisdiction is sufficiently high to meet the "area benefit" test.</p>

Examples of how the use of CDBG for Public Facilities and Improvements meets one of the three National Objectives are listed below:

PUBLIC FACILITIES AND IMPROVEMENTS – MEETING A NATIONAL OBJECTIVE		
National Objective Subcategory	Conditions for Eligibility	Example
Low-Moderate Income Area Benefit (LMI)	<p>A Facility or improvement will be used for a purpose that benefits all residents in a defined area primarily residential in which at least 51% are Low – Moderate Income households.</p> <p>Paying all or part of a special assessment on behalf of Low-Moderate Income households qualifies under this objective.</p>	<p>The Installation of paved streets, sidewalks, curbs and gutters in a predominantly Low-Moderate Income household neighborhood.</p> <p>CDBG funds pay the assessment made to Low-Mod Income household homeowners when a new water/sewer system is installed in their neighborhood.</p>
Low-Moderate Income Limited Clientele (LMI)	Facility will be used by a specific group of people who are at least 51% of Low-Moderate Income households.	A rehabilitation of a home for use as a half-way house for runaway youth.
Low-Moderate Income Housing (LMI)	The Facility or Improvement exclusively benefits housing to be occupied by Low-Moderate Income household.	A parking lot and landscaping are improved on the site of a rental property with 51% Low-Moderate Income Households paying affordable rents.
Low-Moderate Income Jobs (LMI)	<p>Public improvement is for an economic development project that creates or retains permanent jobs.</p> <p>If the CDBG cost per job is less than \$10,000 per full-time employee, the grantee must ensure that at least 51% of the jobs will be held by or will be available to Low-Moderate Income persons.</p> <p>If the CDBG cost per job is more than \$10,000 per full-time employee (FTE), the grantee must ensure that at least 51% of the jobs created in the entire service area benefiting from the improvement will be held by or available to Low-Moderate Income (LMI) persons.</p>	<p>A new water tower will enable factory expansion and owners to commit to hiring at least 51% of new permanent jobs to 51% of new permanent jobs to Low-Moderate Income (LMI) persons (Less than \$10,000 per full-time employee job.</p> <p>Construct a road expansion and water/sewer system project that is installed in an industrial park. (Cost is greater than \$10,000 per full-time employee job). All jobs in the service area that result from the CDBG improvements are subject to the 51% Low-Moderate Income benefit test.</p>
Slums/Blighted Area	Public improvements and facilities are in a designated blighted area and activity addresses conditions that contributed to blight.	An outdated fire hall is rehabilitated and equipment is updated to prevent further loss of life and property due to fires.
Slums/Blight – Spot Areas	Public improvements or facility is outside designated blighted area and activity is limited to eliminate specific conditions of blight or decay.	A Historic library building located outside a designated area is rehabilitated.
Urgent Need	Acquisition, construction, or reconstruction of a public facility or improvement that is designed to alleviate recent serious and imminent threat to public health and safety and no other funds are available.	A Storm sewer system is reconstructed after a severe flood damaged it. All other funding sources are unavailable or exhausted.

Real Property & Housing Projects:

Eligible Real Property & Housing Projects	CDBG Conditions
Acquisitions of land or buildings – 570.201 (a)	<ul style="list-style-type: none"> • Activities that are eligible in support of new housing construction that include: <ol style="list-style-type: none"> 1. Acquisition of a site 2. Clearance of the site including clean up of contaminants 3. Site improvements while the property is still in public ownership 4. Disposition costs for properties acquired with CDBG funds that will be used for new construction <p><i>*Note: Only a qualified non-profit organization that meets the criteria as a Community Based Development Organization (CBDO) is eligible to undertake new housing construction for renters or homebuyers with CDBG assistance.</i></p>
Disposition – 570.201(b)	<ul style="list-style-type: none"> • CDBG funds may be used to dispose of property acquired with CDBG funds provided the property will be used to meet a National Objective. • The property may be sold at less than fair market value. • The reasonable cost to temporarily manage the property is also eligible. (There must be a planned re-use for the property.) • Costs may include legal fees, surveys, market studies, financial fees and other costs incurred in the transfer of property.
Clearance Activities – 570.201(d)	<ul style="list-style-type: none"> • Demolish buildings and improvements; • Remove rubble and debris after demolition; • Remove environmental contaminants or treat them to make them harmless; and • Move structures to other sites. <p>Note: The demolition of HUD – assisted housing units may only be done with prior approval from HUD. This includes properties with project – based or development subsidies, Public Housing, or HOME – program properties in which affordability requirements have not expired.</p>
Interim assistance – 570.201(f)	<ul style="list-style-type: none"> • Interim assistance for limited activities in deteriorated areas that require immediate action.
Urban Renewal Projects – 570.201(h)	<ul style="list-style-type: none"> • Payment of the cost of completing an urban renewal project funded under Title I of the Housing Act of 1949 as amended.
Relocation – 570.201(i)	<ul style="list-style-type: none"> • Relocation of payments and other assistance for permanently and temporarily relocated individuals families, • Businesses, • Non-profit organizations, and • Farm operations.
Loss of Rental Income – 570.201(j)	<ul style="list-style-type: none"> • Payments to housing owners for losses of rental income incurred in holding, for temporary periods, housing units to be used for the relocation of individuals and families displaced by program activities assisted.
Housing Services – 570.201(k)	<ul style="list-style-type: none"> • Housing services in support of the HOME program, such as pre-purchase counseling or administrative costs to operate a tenant-based rental assistance program.
Privately Owned Utilities – 570.201(l)	<ul style="list-style-type: none"> • CDBG funds may be used to acquire, construct, reconstruct, rehabilitate, or install the distribution lines and facilities of privately owned utilities, including the placing underground of new or existing distribution facilities and lines.
Construction of Housing – 570.201(m)	<ul style="list-style-type: none"> • CDBG funds may be used for the construction of housing.
Homeownership Assistance – 570.201(n)	<ul style="list-style-type: none"> • Homeownership assistance, such as down payment assistance or mortgage interest subsidy for homebuyers.

Other CDBG Eligible Projects:

Eligible Project	CDBG Conditions
Micro – Enterprise Assistance – 570.201(o)	<p>The provisions of assistance either through the recipient directly or through public or private organizations, agencies, and other sub-recipients (including non-profit and for-profit sub-recipients) to facilitate economic development by:</p> <ul style="list-style-type: none"> • Providing credit, including, but not limited to, grants, loans, loan guarantees, and other forms of financial support, for the establishment, stabilization, and expansion of micro-enterprises; • Providing technical assistance, advice, and business support services to owners of micro-enterprises and persons developing micro-enterprises; and • Providing general support, including but not limited to, peer support programs, counseling, child care, transportation, and other similar services, to owners of micro-enterprises and persons developing micro-enterprises.
Rehabilitation of buildings and improvements eligible for rehabilitation assistance – 570.202(a)	<p>CDBG may be used to finance the rehabilitation of:</p> <ul style="list-style-type: none"> • Privately – owned homes; • Publicly – owned residential housing; • Publicly or privately – owned commercial or industrial buildings; • Nonresidential buildings owned by nonprofits; and • Manufactured housing when it is part of the permanent housing supply.
Code Enforcement – 570.202(c)	<ul style="list-style-type: none"> • The costs of salaries and related expenses, such as legal costs, are included providing the code enforcement is carried out in a deteriorating or deteriorated area and • There are other public or private improvements, rehabilitation, or services that – together with the enforcement activity – are expected to stop the further decline of the area. <p>Note: <i>The costs to correct violations are not included in this provision.</i></p>
Historic preservation. 570.202(d)	<ul style="list-style-type: none"> • CDBG funds may be used for the rehabilitation, preservation or restoration of historic properties, whether publicly or privately owned. • Historic properties are those sites or structures that are either listed in or eligible to be listed in the National Register of Historic Places, listed in a State or local inventory of historic places, or designated as a State or local landmark or historic district by appropriate law or ordinance. • Historic preservation is not authorized for buildings for the general conduct of government.
Renovation of closed buildings – 570.202(e)	<ul style="list-style-type: none"> • CDBG funds may be used to renovate closed buildings, such as closed school buildings, for use as an eligible public facility or to rehabilitate such buildings for housing.
Lead – based paint hazard, evaluation and reduction, and clearance – 570.202(f)	<ul style="list-style-type: none"> • Lead-based paint hazard evaluation and reduction as defined in section 1004 of the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. 4851b).

The table below provides eligible Planning & Administration expenses.

Eligible Planning & Administration Projects 570.205 & 570.206
➤ Preparation of general plans such as the Consolidated Plan
➤ Functional plans such as housing plans
➤ Neighborhood plans and general historic preservation plans
➤ Policy planning, management, and capacity building activities
➤ Monitoring

The table below illustrates in-eligible CDBG activities and, if any, special conditions.

In-Eligible CDBG Project	In-Eligible Activities Descriptions Under 24 CFR 570.207
Buildings or Portions of Buildings used for the General Conduct of Government	<ul style="list-style-type: none"> Assistance for buildings or portions of buildings used for the general conduct of government (typically city halls or county government centers) – however CDBG funds may be used in these buildings to remove architectural barriers that restrict the movement of the elderly or persons with severe disabilities.
General Local Government Expenses	<ul style="list-style-type: none"> General local government expenses unless the expense is authorized under CDBG Entitlement rules or OMB Circular A-87; and.
Political Activities	<ul style="list-style-type: none"> CDBG funds cannot be used to finance the use of facilities or equipment for any partisan political purpose including voter registration. However, if a facility were originally CDBG-assisted, it may be used on an occasional basis for political meetings, forums, and voter registration, if all organizations have equal access to the building and all are charged equally for the use of the space.
Purchase of Equipment	<ul style="list-style-type: none"> The purchase of equipment is generally ineligible. Construction equipment may not be purchased with CDBG funds.
	<p>Special Conditions to using CBBG funds for equipment:</p> <ul style="list-style-type: none"> ➤ However, grantees may use CDBG funds to pay the cost to rent, pay depreciation, a use allowance, or lease construction equipment to undertake an otherwise eligible activity. ➤ The purchase of construction equipment for use in a solid waste disposal facility is not considered ‘equipment’ and is eligible under the category of Public Facilities and Improvements [570.201(c)].
Furnishings	<ul style="list-style-type: none"> Furnishings and personal property that are not an integral structural fixture are generally ineligible. There are exceptions: <ul style="list-style-type: none"> ➤ Fire protection equipment including fire trucks, firefighter protective clothing, and other life-saving equipment is eligible for CDBG funding under Public Facilities and Improvements [570.201(c)] as this equipment is integral to the fire protection facility.
Operating & Maintenance Expenses	<ul style="list-style-type: none"> Operating and maintenance expenses are generally ineligible. This includes the expense to repair, operate, or maintain public facilities, improvements, and services.
	<p>Examples of Ineligible Costs include:</p> <ul style="list-style-type: none"> ➤ The cost to maintain or repair publicly-owned streets, sidewalks, parks, playgrounds, water and sewer facilities, neighborhood facilities, senior centers, centers for persons with disabilities, parking lots or garages. ➤ Filling pot holes or sidewalk cracks, grass mowing in city or county parks, and the replacement of street light bulbs. ➤ Salaries and other similar expenses for staff to operate public works and facilities.
New Housing Construction	<ul style="list-style-type: none"> New housing construction is generally ineligible, unless undertaken by a qualified Community Based Development Organization (CBDO) under 570.207(b)(3).
Income Payments	<ul style="list-style-type: none"> Under CDBG rules, this is defined as “a series of subsistence-type grant payments” made to a household for items such as rent, mortgage payments, Note: a Section 8 tenant-based rental assistance program is not eligible under CDBG Program) food, clothing, or utilities.
	<p>Special Conditions to using CBBG funds:</p> <ul style="list-style-type: none"> ➤ The exception is: CDBG may be used to make one time grants, emergency assistance, or loans directly to providers of this assistance for a period not to exceed three months on behalf of a household under Public Services 570.201(e) and 570.207 (b)(4).

The table below provides CDBG documenting and reporting requirements.

Documenting and Reporting Performance	
Keeping Records	<ul style="list-style-type: none"> Records must be kept for four years after project completion. Experienced administrators keep some records indefinitely if they have long-term liability concerns, for example, on projects involving lead-based paid hazard control. HUD does not specify who must keep the records, but the grantee is responsible that someone keeps them for the required period of time.
Types of Records to be Maintain	<ul style="list-style-type: none"> The CDBG regulations at 570.506 categorize the types of records a grantee, subrecipient or contractor receiving CDBG funds must keep. <p>Individual Activity or Project Records</p> <ul style="list-style-type: none"> ➤ Description of each project, location, amount of CDBG assistance budgeted, obligated and expended. ➤ Sources and uses of funds, including CDBG, and all others. ➤ Compliance with Eligibility and National Objectives under 570.208. <p>CBDO Records</p> <ul style="list-style-type: none"> ➤ Evidence that CBDOs meet designation requirements during the period when they are receiving an allocation of CDBG funds to undertake special activities.
Financial Record Keeping – 570.502 & 570.506	<p>Subrecipients must keep adequate records that comply with the applicable requirements of 24 CFR 85 and OMB Circulars. The financial records that must be maintained include:</p> <ul style="list-style-type: none"> ➤ A chart of accounts that lists all the names and numbers assigned to each account; ➤ Accounting journals and ledgers ➤ Source documentation that costs were eligible and paid (invoices, purchase orders, canceled checks, etc.) ➤ An inventory of real property ➤ Bank account records ➤ Records regarding revolving loan fund activities ➤ Drawdown requests ➤ Payroll records and reports ➤ Documentation of other administrative costs charged ➤ Financial reports ➤ Audit files ➤ Financial correspondence

The table below provides the timeliness use of expending CDBG program funds.

Timely Use of CDBG Funds Under 24 CFR 570.902
<ul style="list-style-type: none"> Prior to issuing the next year’s Entitlement grant, HUD performs an annual assessment of each grantee’s performance. One of the performance factors examined is “timeliness” of program expenditures.
<ul style="list-style-type: none"> This has been become an important issue of expending program awarded funds in a timely manner. HUD takes this very seriously.
<ul style="list-style-type: none"> Subrecipients are encouraged to download the “CDBG Timeliness Bulletin” from HUD’s website for tips and recommendations to avoid or solve problems with timely use of funds.
<ul style="list-style-type: none"> When subrecipients fail to meet the test, HUD’s corrective action will consider the following: <ol style="list-style-type: none"> The likelihood that the subrecipient will spend enough funds during the next program year to reduce the amount to an acceptable level; and The extent to which funds on hand have been obligated by the grantee and its subrecipients for specific activities; and other relevant information.