

Chapter 2: National Objectives and Eligible Activities

Introduction

This chapter describes the federal requirement that all CDBG-funded activities fulfill one of three National Objectives established by Congress. The following paragraphs discuss the process of selecting one of the three National Objectives. This includes the procedures for documenting that the Grantee's activities fulfill the selected objective.

Federal regulations stipulate that before any activity can be funded in whole or in part with CDBG funds, it must be determined that the activity (e.g., housing, public infrastructure) is eligible under Title I of the Housing and Community Development Act of 1974, as amended. In addition, CDBG requirements mandate that each funded activity must meet one of the three established National Objectives.

To achieve these goals, the CDBG regulations define eligible activities and the National Objectives that each activity must meet. As a pass-through entity for CDBG funds, CDFA is charged with ensuring that each project it funds 1) meets one of the National Objectives listed below and 2) is an eligible activity.

Section 2.1 Meeting a National Objective

The primary objective of the CDBG program is to develop viable communities by helping to provide decent housing, suitable living environments, and expanding economic opportunities principally for persons of low-to-moderate income.

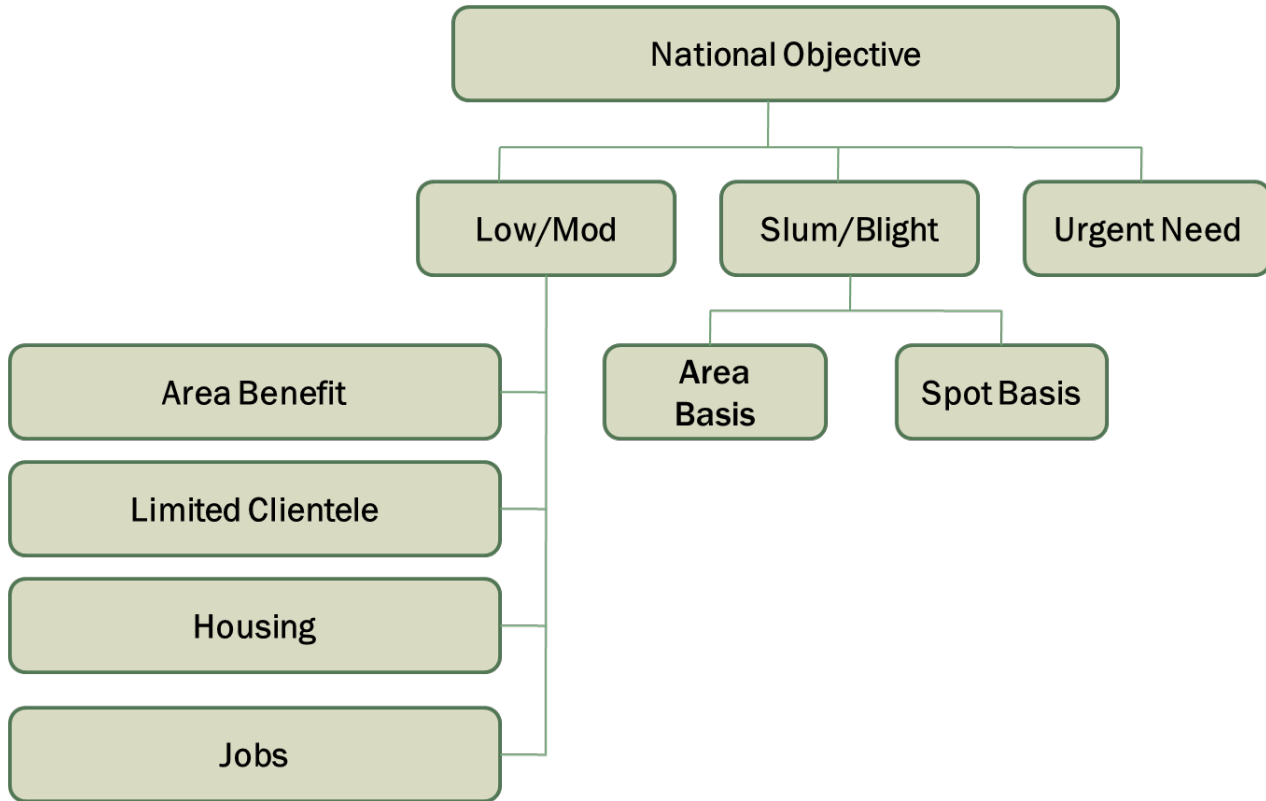
[24 CFR 570.483](#)

This section will describe 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. The three National Objectives are:

1. Provide benefits to Low- and Moderate-Income persons,
2. Aid in the prevention or elimination of slums or blight, or
3. Provide funding for projects that have a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community.

Any activity that fails to meet one or more of the applicable tests for meeting a national objective is in noncompliance with CDBG rules.

The diagram on the following page illustrates the three HUD National Objectives and their methods for attainment.



Each of the three CDBG national objectives, and the subcategories of criteria for how that objective may be met, are described below. Because of statutory, and sometimes regulatory, limitations, some of the subcategories may not be used for each type of activity. These limitations are also reflected in the guidelines shown in this chapter.

Section 2.2 Benefit to Low-to-moderate Income (LMI) Persons

The LMI National Objective is often referred to as the primary National Objective as HUD regulations require that States expend at least 70 percent of their CDBG funds on activities that benefit low- and moderate-income people as defined below. In addition to ensuring that the required percentage of CDBG funds serves people in the overall LMI category, municipalities must also ensure that the activities proposed, when taken as a whole, will not benefit moderate-income people to the exclusion of low-income people (see definitions below).

Activities that benefit LMI people are divided into three sub-categories:

- ♣ Area-benefit activities
- ♣ Limited Clientele activities
- ♣ Job creation/retention activities
- ♣ Housing activities



2.2.1. LMI Area Benefit

For the LMI Area Benefit Activity (LMA), benefits must be available to all the residents in a particular service area in which at least 51 percent of the residents are LMI persons. The most readily available information on income is kept by the U.S. Census and is generally described by census tract or a larger aggregation of tracts. However, the service area for a CDBG-funded activity does not need to be consistent with census tracts or other officially recognized boundaries if income statistics are available for some other geographic unit (see subsequent description). In all cases, however, the area used to determine LMI benefit *must* be the entire area in which the activity is provided. Activities of the same type that are provided in different areas must be considered separately (on the basis of their individual service area). An activity that serves an area that is *not* primarily residential in character (e.g., a commercial area with a handful of residences, or an area where residential structures make up fewer than 51% of the total structures) CANNOT qualify under the “LMI Area Benefit” National Objective.

For example, typical area benefit activities include:

- Street and Sidewalk Improvements
- Water and sewer lines
- Acquisition of land to be used for a park
- Construction of a community center
- Rehabilitation of a community library

In determining whether an activity will actually benefit LMI residents, the net effect of the completed activity is considered. The mere location of an activity in an LMI area does not conclusively demonstrate that the activity benefits LMI persons. It is important to understand that not all activities that take place within a particular area will benefit that entire area.

A project is considered to be of benefit to LMI persons if at least 51 percent of the population qualifies as LMI within a defined geographic area, and documentation of the percentage of LMI beneficiaries is provided with the grant application. Defining the geographic boundaries for an area-wide project is accomplished by answering two questions:

- 1) Who are the beneficiaries of the project? and
- 2) Where do they live?

Depending on the type of project, the defined geographic area could be as small as a single neighborhood within a town, or as large as multiple counties.

The geographic area that will be served by an activity need not be coterminous with census tracts, block groups, or other officially recognized boundaries. It is critical, however, that the service area determined by the municipality be *the entire area served by the activity*. For example, even though a predominantly LMI neighborhood may be one of several neighborhoods served by an activity (for example, a grocery store), the percentage of LMI persons in the total area served by the activity must be considered for this purpose of determining the service area.

Within the defined geographic area where the proposed activity will be implemented, the LMI population of an area can be determined in one of two ways:

- ♣ Low-to-Moderate Income Summary Data (LMISD) provided by HUD.
- ♣ A methodologically-sound income survey conducted by the municipality or a third party.

Both methods are described below.

Documenting with Census Data

Appropriate census data must be used to establish the LMI population. HUD provides detailed data arranged to show the percentage of LMI persons in each incorporated place, census tract and block group. Low-Mod Summary Data is available directly from HUD at <https://www.hudexchange.info/programs/acs-low-mod-summary-data/acs-low-mod-summary-data-local-government/>.

[HUD Low-Mod Summary Data](#)

Each year, HUD will provide data for incorporated places and for census tracts based on the American Community Survey (ACS). If the geographic service area for a proposed activity is generally the same as a census tract or block group(s), then HUD data may be used to justify the income characteristics of the area served.

If HUD data does not indicate that the service area contains at least 51 percent LMI persons, and a municipality has a documented, compelling reason to believe the data is incorrect, then the municipality may request CDFA permission to conduct household surveys based on a change in either population or income of the area since the census. Also, if the service area is not generally the same as a census tract or block group, then an applicant should conduct household surveys to determine the LMI percentage for that service area.

Documenting with Income Surveys

An applicant may conduct a methodologically-sound income survey to establish the LMI status of households or families in a CDBG project area.

Income Surveys may be used to ascertain whether or not a CDBG-funded activity which is designed to benefit a particular area qualifies as primarily benefiting LMI persons. Income limits by family size will be available from CDFA based on data updated annually by HUD. These income limit forms will provide data by city and county. Detailed information on properly conducting Income Surveys can be found on in HUD Notice CPD-19-02.

[CPD Notice 19-02](#)

[HUD Income Limits](#)

All survey methodology must be approved by CDFA prior to the start of the survey to ensure that the methodology is sound.

CDFA will accept surveys that are up to 3 years old. Completed surveys and documented approval by CDFA must be added to the project record and be accessible for review.

2.2.2. LMI Limited Clientele

A Low-to-Moderate Income Limited Clientele (LMC) activity provides benefits to a specific group of persons rather than everyone in a defined service area. It may benefit particular persons without regard to the area in which they reside, or it may be an activity that provides benefit on an area basis but only to a specific group of persons who reside in the area. In either case, at least 51 percent of the beneficiaries of the activity must be LMI persons.

To qualify under this subcategory, an LMC activity must meet ONE of the following tests:

[24 CFR 570.483\(b\)\(2\)\(ii\)\(A\)](#)

1. Exclusively benefit clientele who are generally presumed by HUD to be principally L/M income persons. The following groups are currently presumed by HUD to be comprised principally of LMI persons:

- | | |
|---------------------|--|
| ✓ Abused children, | ✓ Adults meeting Bureau of Census' definition of severely disabled adults, |
| ✓ Elderly persons, | ✓ Illiterate adults; |
| ✓ Battered spouses, | ✓ Persons living with AIDS, and |
| ✓ Homeless persons, | |

✓ Migrant farm workers.

2. Require information on family size and income so that it is evident that at least 51 percent of the clientele are persons whose family income does not exceed the HUD Income Limits. (This includes projects where the activity is restricted exclusively to LMI persons)

[24 CFR 570.483\(b\)\(2\)\(ii\)\(B\) and \(C\)](#)

3. Be of such nature and in such location that it may reasonably be concluded that the activity's clientele will primarily be LMI persons (for example, a day care center that is designed to serve residents of a public housing complex).

[24 CFR 570.483\(b\)\(2\)\(ii\)\(D\)](#)

4. Be an activity that serves to remove material or architectural barriers to the mobility or accessibility of elderly persons or of adults meeting the Bureau of the Census' Current Population Reports definition of "severely disabled," provided it is restricted, to the extent practicable, to the removal of such barriers by assisting:

[24 CFR 570.483\(b\)\(2\)\(iii\)](#)
[Section 3.5.5](#)

- ✓ The reconstruction of a public facility or improvement, or portion thereof, that does not qualify under the LMA benefit criteria;
- ✓ The rehabilitation of a privately-owned nonresidential building or improvement that does not qualify under the LMA benefit criteria or the LMI Jobs criteria; or
- ✓ The rehabilitation of the common areas of a residential structure that contains more than one dwelling unit and that does not qualify under the LMI Housing criteria.

5. Be a microenterprise assistance activity carried out in accordance with the provisions of HCDA Section 105(a)(22) or 24 CFR 570.482(c) with respect to those owners of microenterprises and persons developing microenterprises assisted under the activity during each program year who are low- and moderate-income persons. (Note that, for these purposes, once a person is determined to be LMI, he/she may be presumed to continue to qualify as such for up to a three-year period.)

[24 CFR 570.483\(b\)\(2\)\(iv\)](#)

Activities that would be expected to qualify under the L/M Limited Clientele subcategory would be:

- Construction of a Senior Center
- Public services for the Homeless
- Assistance to L/M income persons developing a microenterprise
- Meals on wheels for the elderly
- Construction of job training facilities for severely disabled adults

Documenting Compliance

Applicants must document how proposed activities will benefit low- and moderate- income persons in conformance with federal law. The type of documentation necessary depends upon the users of the facility. Some proposed projects may involve more than one program/activity with different clientele and different documentation. The following describes what information must be submitted for different types of limited clientele activities:

1. Limited Clientele Based on Presumed Benefit. Documentation establishing that the facility or service is designed exclusively to serve a group of persons in any one or a combination of the following categories may be presumed to benefit persons, 51 percent of whom are low and moderate income: abused children, battered spouses, elderly persons, adults meeting the Bureau of the Census' Current Population Reports definition of "severely disabled", homeless persons, illiterate adults, persons living with AIDS and migrant farm workers; or
2. Limited Clientele Based on Family Size and Income. Documentation that at least 51 percent of the clientele are persons whose family income does not exceed the low- and moderate-income limit (e.g., child care center that is not exclusively for low- and moderate-income persons). The current income limits are on CDFA's website. Required documentation shall be one or more of the following, as appropriate:
 - a. A summary that shows how many current users have family incomes above and below the low- and moderate-income limits. The summary must be based on information about the family size and family income of each user. This information may be from existing program forms (e.g., application for daycare) or it can be collected using the CDFA income survey form.
 - b. Individual information forms gathered by the applicant do not have to be included with the application but may be reviewed during a site visit by department staff and/or must be available upon request at any time.
3. Limited Clientele Based on Nature and Location of the Facility. Documentation describing how the nature and, if applicable, the location of the facility or service establishes that it is used or will be used predominantly by low- and moderate-income persons.
4. Limited Clientele Based on the Removal of Barriers. Data showing that barriers to mobility or accessibility have been removed and how the barrier removal was restricted to the extent feasible to one of the particular cases authorized under this subcategory; or
5. Limited Clientele Based on Microenterprise. Documentation showing that the activity qualifies under the special conditions regarding job services where more than 51 percent of the persons benefiting are L/M income persons.

[HUD Income Limits](#)

NOTE: Facilities must provide one year of family size and income data for the facility to be assisted. If one year of data is not available (new facility with no clientele history) the applicant must demonstrate how the services offered at the facility will be limited to low and moderate-income persons so that the use of the facility will meet the national objective. This is done by the applicant providing the department application forms, policies and other documents and procedures that will be used to limit the use of the facility so that 51% or more of the use of the facility is for low- and moderate- income persons.

2.2.3. LMI Housing

An LMI Housing activity (LMH) is one carried out for the purpose of providing or improving permanent, residential structures that will be occupied by LMI households upon completion. This would include, but not necessarily be limited to, the acquisition or rehabilitation of residential property, or the conversion of nonresidential property to residential.

For activities to qualify under the LMI National Objective, it must result in housing that will be occupied by LMI households upon completion. The housing can be either owner- or renter-occupied and can be either one family or multi-unit structures. When the housing is to be rented, in order for a dwelling unit to be considered to benefit an LMI household, it must be occupied by the household at affordable rents (defined by CFDA as Fair Market Rent minus tenant paid utilities).

Occupancy Rules

Occupancy of the assisted housing by LMI households under this subcategory is determined using the following general rules:

- ✓ All assisted single unit structures must be occupied by L/M income households,
- ✓ An assisted two-unit structure (duplex) must have at least one unit occupied by a L/M income household, and
- ✓ An assisted structure containing more than two units must have at least 51 percent of the units occupied by L/M income households.

Exception:

Under the following circumstances, structures with less than 51 percent occupancy by LMI households may be assisted.

The new construction of non-elderly, multi-family rental structures need only have at least **20 percent of the units** occupied by LMI **households**. However, when occupancy by LMI households falls between 20 and 50 percent, the CDBG portion of total development costs may not be greater than the proportion of units occupied by LMI households. (For this purpose, 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.) For example, if such a structure were to cost \$1 million and 35 percent of the units are occupied by LMI households at affordable rents, the CDBG assistance would not be more than \$350,000 for the project.

Activities that would be expected to qualify under the L/M Housing subcategory would be:

- Acquisition of property to be used for permanent housing
- Rehabilitation for permanent housing
- Conversion of non-residential structures into permanent housing
- Home ownership assistance to a LMI household
- Hookups to connect residential structures to water and sewer systems

Documenting Compliance

In order to demonstrate compliance, the grant recipient must maintain the following records:

- A copy of the written agreement with each landlord or developer receiving CDBG assistance indicating the total number of dwelling units in each multi-unit structure assisted and the number of those units which will be occupied by LMI households after assistance;
- Total cost of the activity, including both CDBG and non-CDBG funds; and
- For each unit claimed to be occupied by an LMI household, the size and combined income of the household.

[HUD Income Limits](#)

- For rental housing only:
 - The 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 LMI households pursuant to criteria established and made public by the grant recipient.
- 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.
- Where applicable, records documenting that the activity qualifies under the special conditions regarding the new construction of non-elderly, multi-family housing that will have LMI occupancy of less than 51 percent.

2.2.4. LMI Jobs

Jobs are to be held by, or made available to, persons of LMI (defined as individuals whose incomes are equal to or less than 80% of the area median income (AMI) limits defined and published by HUD.

[Attachment 2-1: Job Creation/Retention Policy](#)

Jobs that are not held (filled) by LMI persons may be claimed to be “made available” to an LMI person only when both of the following are met:

1. The jobs do not require special skills that can only be acquired with substantial training or work experience and education beyond high school is not a prerequisite to fill such a job, unless the business agrees to hire an unqualified person and train them; AND
2. The assisted business takes actions to ensure that LMI persons receive “first consideration” for filling such jobs. Evidence must include a description of how first consideration was given to LMI persons for filling the jobs, what hiring process was used, which LMI persons were interviewed for each job, and which LMI persons were hired. The business is obligated to prove that they met the following criteria of providing “first consideration”:
 - a. The business must use a hiring practice that, under usual circumstances, would result in more than 51 percent of LMI persons interviewed for applicable jobs being hired; and
 - b. The business must seriously consider a sufficient number of LMI job applicants to give reasonable opportunity to fill the position with such a person and provide evidence; and
 - c. The distance from residence and availability of transportation to the job site must be reasonable before a particular LMI person may be considered a serious applicant for the job.

Documenting Compliance

When assistance is provided to a business for the purpose of creating or retaining jobs, the grant recipient must have on file a written agreement with the business in which that business agrees to keep or create a specific number of jobs and identifies each such job by type and whether the job will be full- or part-time. The Business Economic Commitment Agreement (BECA) must also specify the actions the business and the grant recipient will take to ensure that at least 51 percent of the jobs created or retained will benefit LMI persons pursuant to the program rules.

[Attachment 2-2: Sample Business Economic Commitment Agreement \(BECA\)](#)

For each activity determined to benefit LMI persons based on jobs to be created for or retained by low- and moderate-income persons:

- ✓ The number of jobs to be created and the number of additional jobs expected to be created, if any;
- ✓ The nature of the jobs created to date (number skilled, semiskilled, and unskilled, and for semi-skilled jobs, any special education or experience required) and the nature of additional jobs expected to be created; and,
- ✓ Any other evidence to support the conclusion that a majority of jobs will be filled by LMI persons, such as:
 - Evidence to assure accessibility of the jobs to areas where substantial numbers of LMI persons reside; and
 - Evidence to support any special outreach and/or training to be directed toward LMI persons.

Job creation:

When demonstrating that at least 51 percent of the jobs created will be available to low- and moderate-income (LMI) persons, documentation for each assisted business must include:

- ✓ A written commitment by the business that it will make at least 51 percent of the jobs on a full-time equivalent basis available to LMI persons and will provide training for any of those jobs requiring special skills or education;
- ✓ A listing by job title of employees at the time the application for assistance is submitted;
- ✓ A listing, by job title, of the total permanent jobs to be created, indicating which jobs will be available to LMI persons, which jobs require special skills or education, and which jobs are part-time;
- ✓ Evidence supporting the estimate of the total number of jobs;
- ✓ A description of actions to be taken by the recipient and business to ensure that LMI persons will receive first consideration for these jobs;

- ✓ A listing, by job title, race, ethnicity, gender and handicapped status of the permanent jobs created; which jobs were made available to LMI persons, and a description of how first consideration was given to such persons for those jobs. That description should include the hiring process used; the number of LMI persons considered for each job; and the number of LMI persons actually hired;
- ✓ A description of how the LMI status of those given first consideration was determined; and
- ✓ A description of how the total number of jobs was determined, including baseline and final payroll documents.

Job retention:

HUD requires that there be clear, objective evidence and documentation that jobs would be lost without the CDBG assistance; therefore, using job retention as a basis for meeting the LMI National Objective is difficult. Consequently, in the past, few projects have qualified as benefiting LMI through job retention.

The following are requirements for documenting records that support compliance with job retention goals.

- ✓ Clear and objective evidence that in the absence of the CDBG assistance the jobs will be lost;
- ✓ A written commitment by the business to meet the standard for retained jobs involving the employment of LMI persons; and
- ✓ A listing by job title, race, ethnicity, gender and handicapped status of the employees at the time the assistance is provided.

More detailed information can be found in [Chapter 11: Reporting and Recordkeeping](#) of this Implementation Guide.

Activities that would be expected to qualify under the L/M Jobs subcategory would be:

- Construction of a business incubator which is designed to offer both space and assistance to new, small businesses to help them survive and grow.
- Loans to help finance the expansion of a plant or factory
- Financial assistance to a business which has publicly announced its intention to close; and to help it update its equipment instead.
- Installation of water or sewer lines to a site or upgrading an access road to serve a new distribution warehouse being built by a company.

Section 2.3 Elimination of Slums and Blighted Conditions

Public and/or private facilities requiring improvements that aid in the prevention or elimination of slums or blighted conditions in a designated slum/blight area may qualify for CDBG funding under the National Objective of Elimination of Slum and Blight Area Basis. Activities that qualify under the objective are either clearly **eliminating** objectively determinable signs of slums or blight in a defined **slum or blighted area** (“**area blight**”) or are **strictly limited to eliminating** specific instances of blight outside such an area (“spot blight”).

Accordingly, the subcategories under this national objective are:

- Addressing slums/blight on an area basis; and

[24 CFR 570.483\(c\)\(1\)](#)

- Addressing slums/blight on a spot basis.

[24 CFR 570.483\(c\)\(2\)](#)

2.3.1 Area Basis

To qualify under the national objective of slums/blight on an **area** basis, an activity must meet **all** the following criteria:

1. The area must be officially designated by the grant recipient and must meet a definition of a slum, blighted, deteriorated, or deteriorating area under [NH Rev Stat 205:1-b](#) AND

[Attachment 2-3: Sample Blight Resolution](#)

2. The area must exhibit signs of economic disinvestment as indicated by at least one of the following physical signs of blight or decay:

- a.** There must be a substantial number of deteriorated or deteriorating buildings throughout the area. CDFA will consider this test to have been met if at least twenty-five percent (25%) of all the buildings in the area meet the state or local definition of:

- i.** deteriorated or deteriorating;

- ii.** abandoned;

- iii.** experiencing chronic high occupancy turnover rates or chronic vacancy rates in commercial or industrial buildings;

- iv.** experiencing significant declines in property values or abnormally low property values relative to other areas in the community; or

- v.** known or suspected of environmental contamination.

- b.** The public improvements throughout the area must be in a general state of deterioration. (For this purpose, it would be insufficient for only one type of public improvement, such as a sewer system, to be in a state of deterioration; rather, the public improvements taken as a whole must clearly exhibit signs of deterioration.)

3. Documentation must be maintained by the grant recipient on the boundaries of the area and the conditions that qualified the area at the time of its designation. The recipient must establish definitions of the conditions (listed above) and maintain records to substantiate how the area met the slums or blighted criteria.

4. Activities to be assisted with CDBG funds must be limited to those that address one or more of the conditions that contributed to the deterioration of the area. (Note that this does not limit the activities to those that address the blight or decay itself, but it allows an activity to qualify if it can be shown to address a condition that is deemed to have contributed to the decline of the area.)

It should be noted here that, once an area has been properly designated as a slum or blighted area under these provisions, the grant recipient may continue to assist activities that are designed to address a condition that caused the decline of the area even if the area has been brought to a point where it could no longer meet the tests for physical evidence of blight needed for its initial designation. However, if the regulatory requirements have been revised to become more stringent since the area was designated, the area would need to be newly designated (for example, re-qualify) under the new criteria before new activities could be assisted with CDBG funds.

NOTE: The area must be re-designated every 10 years for continued qualification and documentation must be retained.

Where the assisted activity is **rehabilitation of residential structures**, two additional criteria must be met:

- Each such building must be considered substandard under local definition. (States are to ensure that state grant recipients have developed minimum building quality standards for this purpose. Local conditions may be taken into consideration; states are also free to set standards regarding building quality.)
- All deficiencies making the building substandard must be corrected before less critical work on the building may be undertaken.

An applicant shall not submit an application under Slum/Blight Area subcategory until they have received direct approval from CDFA to do so.

Activities that would be expected to qualify under the Slum/Blight Area subcategory would be:

- Acquisition and Clearance of Blighted Properties
- Rehabilitation of substandard housing
- Commercial revitalization through façade improvements
- Removal of environmental contamination on a property to enable it to be redeveloped for a specific use

2.3.2. Spot Basis

To comply with the national objective of Elimination or Prevention of Slums or Blight on a Spot Basis, (i.e., outside a slum or blighted area), an activity must meet the following criteria:

The activity must be designed to eliminate specific conditions of blight, physical decay or environmental contamination not located in a designated slum or blighted area; and

The activity must be limited to one or more of the following:

- ✓ Acquisition;
- ✓ Clearance;
- ✓ Remediation of environmentally contaminated properties;
- ✓ Relocation;
- ✓ Historic Preservation; or
- ✓ Rehabilitation of buildings, but only to the extent necessary to eliminate specific conditions detrimental to public health and safety.

Where the assisted activity is **acquisition** or **relocation**, it must be a precursor to another eligible activity (funded with CDBG or other resources) that directly eliminates the specific conditions of blight or physical decay, or environmental contamination. This requirement is not intended to discourage acquisition and relocation as pre-development activities and does not mandate that a proposed plan be in place before CDBG funds can be spent. For example, a grantee could clean up a contaminated site without acquiring the site; however, if the grantee acquired the site first, the project would be considered to meet the slum/blight national objective criteria only after clean-up occurred.

Activities that would be expected to qualify under the Slum/Blight Spot subcategory would be:

- Historic preservation of a blighted building.
- Demolition of a vacant, deteriorated, and abandoned building.
- Removal of environmental contamination on a property to enable it to be redeveloped for a specific use.
- Elimination of faulty wiring, falling plaster and other similar conditions from a residential building which are detrimental to potential occupants.

Documenting Compliance

In order to document compliance, the grantee must maintain:

- A description of the specific condition of blight or physical decay treated; and
- A description of the assisted activity showing that it falls under one of the activity types that are eligible to be carried out under this subcategory. Where rehabilitation of a building is carried out under this category, information showing how the activity eliminates conditions detrimental to public health and safety must be included.

Section 2.4 Urgent Need

To comply with the national objective of meeting community development needs having a particular urgency, an activity must be designed to alleviate existing conditions which the local government certifies and CDFA concurs:

[24 CFR 570.483\(d\)](#)

1. Pose a serious and immediate threat to the health or welfare of the community, AND
2. Are of recent origin or recently became urgent, AND
3. The municipality is unable to finance the activity on its own, AND
4. No other sources of funding are available to carry out the activity, as certified by both the CDFA and the grantee.

Use of the Urgent Need national objective is rare. It is designed only for those activities that alleviate emergency conditions.

Activities that would be expected to qualify under the Urgent Need National Objective would be:

- Acquisition of property located in a flood plain that was severely damaged by a recent flood.
- Public facility improvements such as reconstruction of a fire station that was severely damaged by a tornado.
- Demolition of structures that were severely damaged by an earth quake.
- Interim assistance such as emergency neighborhood debris clean-up after a tornado.

Section 2.5 Eligible Activities

As stated earlier, every project that receives CDBG funds through CDFA must meet two criteria: the project must meet a National Objective and it must also be an Eligible Activity. The following activities are an all-inclusive list of federally eligible activities. CDFA priorities will be set each year in the Consolidated Plan and/or Action Plan Update and eligible activities for that funding year will be described in the CDBG Method of Distribution (MOD). See [Chapter 3: Method of Distribution](#) for the current program year MOD.

Categories of Eligible Activity
Acquisition of Real Property
Public Facilities and Improvements and Privately-Owned Utilities
Code Enforcement
Clearance, Rehabilitation, Reconstruction, and Construction of Buildings (including Housing)
Architectural Barrier Removal
Loss of Rental Income
Disposition of Real Property
Public Services
Payment of Non-Federal Share
Relocation
Planning and Capacity Building
Program Administration
Economic Assistance to For Profit Businesses
Housing Services
Microenterprise Assistance
Homeownership Assistance
Construction of Tornado-safe Shelters
Lead Based Paint Hazard Evaluation and Reduction

2.5.1. Acquisition of Real Property

CDBG funds may be used by the grantee to acquire real property in whole or in part by purchase, long-term lease, donation, or otherwise. In order to be considered acquisition, a permanent interest in the property must be obtained. Long-term leases can be considered to constitute a permanent interest for this purpose. CDFA has established that an initial lease period of 15 years or more gives sufficient control to the acquiring party to constitute a permanent interest.

Real property to be acquired could include:

- ✓ Land
- ✓ Easements,
- ✓ Rights-of-way,
- ✓ Buildings and other real property improvements, or
- ✓ Other interests in the real property.

Costs that may be paid for with CDBG funds under this category include the cost of surveys to identify the property to be acquired, appraisals, the preparation of legal documents, recordation fees, and other costs that are necessary to effect the acquisition.

National Objectives – Acquisition of Real Property		
National Objective	Qualifies If...	Example
LMI Area Benefit	The property will be used for an activity the benefits of which are available to all the residents in a particular area that is primarily residential, and at least 51 percent of those residents (or fewer if the exception criteria apply) are L/M income persons.	Purchasing land for use as a park serving a primarily residential neighborhood that is predominantly L/M income.
LMI Limited Clientele	The property will be used for an activity the benefits of which will be limited to a specific group of people; at least 51 percent of who are L/M income persons.	Buying a building to be converted into a sheltered workshop for developmentally-disabled adults.
LMI Housing	The property will be used for housing to be occupied by L/M income persons.	Buying an apartment house to provide dwelling units to L/M income households at affordable rents, where at least 51 percent of the units will be occupied by L/M income households.
LMI Jobs	The property acquired is to be used for an activity that will create or retain permanent jobs at least 51 percent of which will benefit L/M income persons.	Acquiring vacant property that is planned to be used for a commercial purpose and will be made available for that purpose only if the business commits to provide at least 51 percent of the new permanent jobs that will be created to L/M income persons.



National Objectives – Acquisition of Real Property		
National Objective	Qualifies If..	Example
Slum or Blighted Area	The acquired property is in an area designated by the grant recipient as a blighted area, and the property will be used in a manner that addresses one or more of the conditions that contributed to the deterioration of the area.	Purchasing deteriorated buildings located in a blighted area for rehabilitation or demolition.
Spot Blight	The acquisition of property is located outside a designated blighted area and the acquisition is a prerequisite for clearance that will eliminate specific conditions of blight or physical decay on a spot basis	The acquisition of a dilapidated property containing an abandoned grain elevator, the presence of which is detrimental to public health and safety which will be demolished.
Urgent Needs	The acquisition is part of an activity designated to alleviate conditions, and the grantee certifies and CDFA determines that those conditions are a serious and immediate threat to health and welfare of the community, they 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.	Acquisition of property located in a floodplain that was severely damaged by a recent flood.

2.5.2. Public Facilities and Improvements and Privately-Owned Utilities

CDBG funds may be used by the grant recipient or other public or private non-profit entities for the:

- ✓ Acquisition (including long-term leases for initial periods of 15 years or more),
- ✓ Construction,
- ✓ Reconstruction,
- ✓ Rehabilitation (including removal of architectural barriers to accessibility), or
- ✓ Installation of public improvements or facilities (except for buildings for the general conduct of government).

CDBG regulations define the terms “public facilities” or “public improvements.” However, CDFA has broadly interpreted these to include all improvements and facilities that are either publicly owned or that are traditionally provided by the government, or owned by a non-profit, and operated so as to be open to the general public. Such facilities include firehouses, libraries, and housing shelters. Public improvements include streets, sidewalks, curbs and gutters, parks, playgrounds, water and sewer lines, flood and drainage improvements, parking lots, utility lines, and aesthetic amenities on public property such as trees, sculptures, pools of water and fountains, and other works of art.

Facilities designed for use in providing shelter for persons having special needs are considered to be public facilities (and not permanent housing), and thus are covered under this category of basic eligibility. Such shelters include nursing homes, convalescent homes, hospitals, shelters for victims of domestic violence, shelters and transitional facilities/housing for the homeless, itinerant farm workers, group homes for the developmentally disabled, and

shelters for disaster victims.

In the CDBG program, site improvements of any kind made to publicly owned property are considered a “public improvement” eligible for assistance under this category. This distinction would be of particular importance if a community sought to construct new housing on a publicly-owned property--direct CDBG assistance could not be used for the new construction, but could be used for site improvements such as water and sewer connections and development of streets and sidewalks.

Public facilities and improvements authorized under this category also do not include:

- ✓ Expenditures for buildings for the general conduct of government
- ✓ Costs of operating or maintaining public facilities or improvements;
- ✓ Costs of purchasing construction equipment;
- ✓ Costs of furnishings and other personal items such as uniforms;
- ✓ New construction of public housing

Other Considerations

Water/sewer hook-ups:

The costs of connecting individual properties (such as private homes) to service collection or distribution lines are NOT eligible as a public facility. Similarly, costs of constructing, installing, or reconstructing water wells, septic tanks, drain fields, etc. for individual properties are not eligible as a public facility. These activities must be classified as a cost of construction or rehabilitation of a building, as appropriate.

Title to public facilities:

Non-profit entities frequently hold title to and operate facilities such as senior centers, centers for the handicapped, and neighborhood facilities. When such facilities are owned by non-profit entities, they may qualify for assistance under this category only if they are made available to the general public. For a facility owned by a non-profit to qualify for CDBG funding, it must be open for use by the general public during all normal hours of operation.

Facilities containing both eligible and ineligible uses:

A public facility otherwise eligible for assistance under the CDBG program may be provided with CDBG funds even if it is part of a multiple use building containing ineligible uses, if:

- ✓ The facility which is otherwise eligible and proposed for assistance will occupy a designated and discrete area within the larger facility; and
- ✓ The recipient can determine the costs attributable to the facility proposed for assistance as separate and distinct from the overall costs of the multiple-use building and/or facility.

Allowable costs are limited to those attributable to the eligible portion of the building or facility.

Fees

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.



National Objectives - Public Facilities and Improvements and Privately-Owned Utilities		
National Objective	Qualifies If...	Example
L/M Income 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 that is primarily residential, and at least 51 percent of those residents are L/M income persons.	Paving of gravel road and the installation of drainage in a predominantly L/M income community.
L/M Income Limited Clientele	The public facility or improvement will be used for an activity designed to benefit a particular group of persons at least 51 percent of whom are L/M income persons.	Rehabilitation of a building to be used as a center for training severely disabled adults to enable them to live independently.
L/M Income Housing	The public facility or improvement exclusively assists in the provision of housing to be occupied by L/M income persons.	Site improvements on publicly-owned land to serve a new apartment structure to be rented to L/M income households at affordable rents.
L/M Income Jobs	The provision of a particular public improvement needed by one or more businesses to allow creation or retention of jobs, primarily for L/M income persons.	Rebuilding a public road adjacent to a factory to allow larger and heavier trucks access to the facility determined to be necessary for plant expansion and the creation of new jobs, where the business agrees to fill 51 percent of the jobs with L/M income persons.
Slum or Blighted Area	The public facilities and improvements are located in a designated blighted area and are designed to address one or more conditions which contributed to the deterioration of the area.	Renovation of an abandoned, deteriorated elementary school building, located in an area designated by the grant recipient as blighted pursuant to CDBG rules, in order to re-open it as a library and community center.
Spot Blight	The public facilities or improvements are for the historic preservation or rehabilitation of blighted or decayed public facilities/improvements located outside of a designated area. Rehabilitation must be limited to the extent necessary to eliminate specific conditions detrimental to public health and safety.	Rehabilitation/restoration of a severely deteriorated building of historic significance that is being used as a museum that is located outside a designated blighted area and does not serve an LMI income area.

National Objectives - Public Facilities and Improvements and Privately-Owned Utilities		
National Objective	Qualifies If...	Example
Urgent Need	The acquisition is part of an activity designated to alleviate conditions, and the grantee certifies and CDFFA determines that those conditions are a serious and immediate threat to health and welfare of the community, they 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.	Extension of municipal water system distribution lines into a residential area where residents private wells have recently been found to be contaminated with high levels of fecal coliform bacteria.

2.5.3. Code Enforcement

Code enforcement involves the payment of salaries and overhead costs directly related to the enforcement of state and/or local codes.

CDBG funds may be used for code enforcement only in deteriorating or deteriorated areas where such enforcement, together with public or private improvements, rehabilitation, or services to be provided, may be expected to arrest the decline of the area. Eligible code enforcement activities do not include the costs of correcting code violations identified during inspections. The cost of correcting such violations may be eligible for CDBG assistance under other eligibility categories, such as rehabilitation.

National Objectives - Code Enforcement		
National Objective	Qualifies If...	Example
L/M Income Area Benefit	The code enforcement is targeted at a deteriorated or deteriorating area delineated by the grant recipient and: At least 51 percent of the residents of the area are L/M income persons and (2) The code enforcement, together with public improvements, rehabilitation, and services to be provided, may be expected to arrest the decline of the area.	Code enforcement efforts in an L/M income deteriorated neighborhood targeted for rehabilitation assistance, construction of a neighborhood facility, and street reconstruction.
L/M Income Limited Clientele	Not applicable	Not applicable
L/M Income Housing	Not applicable	Not applicable
L/M Income Jobs	Not applicable	Not applicable



National Objectives - Code Enforcement		
National Objective	Qualifies If...	Example
Slum or Blighted Area	The code enforcement is targeted at a designated blighted area and: (1) Is designed to address one or more of the conditions which contributed to the deterioration of the area and (2) The code enforcement, together with public improvements, rehabilitation, and services to be provided, may be expected to arrest the decline of the area.	Building inspections for code violations in a designated blighted area, which are part of a comprehensive effort to arrest decline in that area.
Spot Blight	Not applicable	Not applicable
Urgent Need	While the situation is likely to be infrequent, it is possible for code enforcement to qualify if: (1) code enforcement is targeted at a deteriorated or deteriorating area, (2) The code enforcement, together with public improvements, rehabilitation, and services to be provided, may be expected to arrest the decline of the area; and (3) The grantee is able to certify that the existing conditions which the code enforcement is designed to alleviate pose a serious and immediate threat to the health or welfare of the community, they 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.	Code enforcement activities taking place in an area that has been severely affected by a flood and are part of the community's overall response to the emergency.

2.5.4. Clearance, Rehabilitation, Reconstruction, and Construction of Buildings

CDBG funds may be used by the grant recipient or other public or private non-profit entities for the:

- ✓ clearance, demolition, removal, reconstruction, and rehabilitation of buildings; and
- ✓ lead-based paint hazard evaluation and reduction, as defined in section 1004 of the Residential Lead-Based Paint Hazard Reduction Act of 1992.

Clearance Activities and Considerations

Under this category, CDBG funds may be used for:

- ✓ Clearance, demolition, and removal of buildings and improvements,
- ✓ The movement of structures to other sites,
- ✓ The remediation of known or suspected environmental contamination, including project-specific environmental assessment costs not otherwise eligible, and
- ✓ The demolition of HUD-assisted or HUD-owned housing units with prior approval of HUD.

Where activities under this category are integral to the construction of a building or improvement on the cleared property, and where such construction is also to be assisted with CDBG funds, the clearance activities may be treated as a part of the construction costs and need not be qualified separately under the program.

National Objectives – Clearance		
National Objective	Qualifies If...	Example
L/M Income Area Benefit	The cleared property 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 are LMI persons.	Demolishing a vacant structure and removing debris to make a community park and playground serving a predominantly (51%) residential LMI community.
L/M Income Limited Clientele	The cleared property will be used for an activity the benefits of which are limited to a specific group of people, and at least 51% of who are LMI persons.	Demolishing a seriously dilapidated structure from the site on which a new senior center will be built.
L/M Income Housing	The cleared property will be used for providing housing to be occupied LMI persons. Rental units for LMI persons must be occupied at affordable rents.	Demolishing seriously dilapidated buildings being used as temporary housing for migrant farm workers to make room for new migrant farm worker housing.
L/M Income Jobs	The clearance is part of an activity that will create or retain permanent jobs, 51% of which are for LMI persons.	Clearance of an environmentally contaminated site on which a new business will locate and agrees that at least 51% of the jobs to be created will be for LMI persons.
Slum or Blighted Area	The clearance activities are within a designated blighted area and are designed to address one or more conditions that contributed to the deterioration of the area.	Using CDBG funds to demolish one or more deteriorated buildings located in a designated blighted area.
Spot Blight	The clearance activity is undertaken to eliminate specific conditions of blight or decay on a spot basis that is not within a designated slum or blight area.	Demolition of an abandoned and deteriorated grain elevator, the presence of which is detrimental to public health and safety.

National Objectives – Clearance		
National Objective	Qualifies If...	Example
Urgent Need	The clearance is part of an activity designed to alleviate existing conditions and the grantee certifies that those conditions pose a serious and immediate threat to the health or welfare of the community, they 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.	Clearance of a building that was destroyed by fire or tornado that constitutes a safety hazard to the community.

Rehabilitation Activities and Considerations

Section 105(a)(4) of the HCDA provides limited information on the types of property eligible under this category. Therefore, CDFA has included the following as interpretive guidance. For specific project eligibility, contact CDFA.

Eligible Types of Property

- ✓ Residential property, whether privately or publicly owned. This includes manufactured housing when such housing constitutes part of the community's housing stock and is classified as real property.
- ✓ Commercial or industrial property, but where such property is owned by a for-profit, rehabilitation under this category is limited to exterior improvements of the building and the correction of code violations. (Further improvements for such buildings may qualify under the category of Special Economic Development Activities.)
- ✓ Additions to existing buildings may be assisted under this category when they are incidental to the rehabilitation of the property, and may be provided as a part of other rehabilitation if the addition does not materially increase the size or function of the building.

Eligible Types of Assistance

- ✓ **Costs:** Costs of labor, materials, supplies and other expenses required for the rehabilitation of property, including repair or replacement of principal fixtures and components of existing structures (for example, the heating system).
- ✓ **HOME Administrative Costs:** CDBG funds can be used to pay for HOME administrative costs.
- ✓ **Financing:** Grants, loans, loan guarantees, interest supplements, and other forms of financial assistance may be provided under this category. 513 for details.)
- ✓ **Refinancing:** Loans for refinancing existing indebtedness secured by a property being rehabilitated with CDBG funds, if such refinancing is determined by the grant recipient to be necessary or appropriate to achieve its community development objectives.

- ✓ **Property Acquisition:** Assistance to private individuals and entities (whether profit or not-for-profit) to acquire for the purpose of rehabilitation and to rehabilitate properties *for use or resale for residential purposes*.
 - ✓ **Security Devices:** Installation costs of sprinkler systems, smoke detectors, dead bolt locks, and other devices for security purposes.
 - ✓ **Insurance:** The costs of initial homeowner warranty premiums and, where needed to protect the grant recipient's interest in properties securing a rehabilitation loan, hazard insurance premiums, as well as flood insurance premiums for properties covered by the Flood Disaster Protection Act of 1973, as amended, pursuant to 24 CFR 570.605.
 - ✓ **Conservation:** Costs required to increase the efficient use of water (for example, water saving faucets and shower heads) and improvements to increase the efficient use of energy in structures through such means as installation of storm windows and doors, insulation, and modification or replacement of heating and cooling equipment.
 - ✓ **Water and Sewer:** Costs of connecting existing residential structures to water distribution lines or local sewer collection lines, or installing wells, septic tanks, septic fields for individual houses, as well as replacing any of the above. (Costs of installing water and sewer collection lines are not eligible as rehabilitation.)
 - ✓ **Tools:** Costs of acquiring tools to be lent to owners, tenants, and others who will use the tools to carry out rehabilitation.
 - ✓ **Barrier Removal:** Costs to remove material and architectural barriers that restrict the mobility and accessibility of elderly and severely disabled persons to buildings and improvements that are eligible for rehabilitation under this category.
 - ✓ **Landscaping, Sidewalks, and Driveways:** Costs of installation or replacement of landscape materials, sidewalks, and driveways when incidental to other rehabilitation of the property.
 - ✓ **Renovation of Closed Buildings:** The conversion of a closed building from one use to another (for example, the renovation of a closed school building to residential use). Note that rehabilitation of a closed building for re-use as a public facility would be eligible as a public facility.
 - ✓ **Historic Preservation:** This category also authorizes the costs of preserving or restoring properties of historic significance, whether privately or publicly owned, except that buildings for the general conduct of government may not be restored or preserved with CDBG assistance (see the section on Public Facilities and Improvements concerning this limitation). 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.
 - ✓ **Lead-based Paint Hazard Evaluation and Reduction:** The costs of evaluating and treating
-

Chapter 2: National Objectives and Eligible Activities

lead-based paint may be undertaken in the State CDBG program in conjunction with other rehabilitation activities under Section 105(a)(4) of the HCDA or as a separate activity under Section 105(a)(25). In addition to lead hazard abatement work itself, CDBG funds may be used for: testing the blood of children to determine the lead levels, inspecting and testing homes for lead hazards, temporarily relocating families during lead control work, community education and outreach, job training for lead hazard control workers, and collection and analysis of data on lead hazards.

- ✓ **Rehabilitation Services:** Staff costs and related expenses required for outreach efforts for marketing the program, rehabilitation counseling, screening potential applicant households and structures, energy auditing, preparing work specifications, loan underwriting and processing, inspections, and other services related to assisting owners, tenants, contractors, and other entities that are participating or seeking to participate in rehabilitation activities eligible under this category.

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; or
- ✓ The value of the homeowner's sweat equity to rehabilitate their own property.

National Objectives – Rehabilitation		
National Objective	Qualifies If...	Example
L/M Income Area Benefit	Rehabilitation of a building to be used for a purpose that will benefit all the residents of a qualifying L/M income primarily residential area.	Facade improvements to a commercial structure serving a predominantly L/M income primarily residential area.
L/M Income Limited Clientele	Not applicable	Not applicable
L/M Income Housing	Rehabilitation of housing to be occupied by L/M income persons. Rental units must be occupied at affordable rents.	Conversion of an abandoned warehouse into rental housing for L/M income households at affordable rents. Also improvements to a single family residence used as a place of business provided the improvements generally benefit the unit's residential occupants.
L/M Income Jobs	Rehabilitation of nonresidential property that will create or retain jobs for L/M income persons	Correction of code violations that will enable a business to survive and retain jobs, the majority of which is held by L/M income persons.

National Objectives – Rehabilitation		
National Objective	Qualifies If...	Example
Slum or Blighted Area	Rehabilitation of residential structures located in a blighted area, the structure to be rehabilitated is considered substandard under local definition before rehabilitation, and all deficiencies making the structure substandard are corrected before less critical work is undertaken.	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.
Spot Blight	Rehabilitation of a structure located outside a designated blighted area, where the rehabilitation is limited to 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 manufacturing building located in an area that has not been designated as 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 blighted and where rehabilitation is limited to corrections of code violators that are detrimental to public health and safety.
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 grant recipient 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 a tornado and has been condemned.

Construction of Buildings Activities and Considerations

It is important to note that several activities that support new housing may be carried out using CDBG funds even though other resources are supporting the actual housing construction costs. The following are examples of supportive activities:

- ✓ Acquisition of sites on which buildings will be constructed for use or resale as housing;
- ✓ Clearance of toxic contaminants of property to be used for the new construction of housing;
- ✓ Site improvements to publicly-owned land to enable the property to be used for the new construction of housing, provided the improvements are undertaken while the property is still in public ownership; and
- ✓ The cost of disposing of real property, acquired with CDBG funds, which will be used for new construction of housing.



National Objectives – Construction of Buildings (including Housing)		
National Objective	Qualifies If...	Example
L/M Income Area Benefit	Not applicable	Not applicable
L/M Income Limited Clientele	Not applicable	Not applicable
L/M Income Housing	L/M income households will occupy the new housing. Rental units must be occupied at affordable rents.	New construction of “last resort” housing needed for an L/M income household being displaced by a CDBG-assisted project.
L/M Income Jobs	Not applicable	Not applicable
Slum or Blighted Area	New housing qualifies if: (1) The new housing is located within a designated blighted area and (2) Development of new housing addresses one of the conditions that contributed to the deterioration of the area.	New, modest-income rental housing constructed by a non-profit Community Development Corporation on a formerly contaminated site in a designated blighted area, using a combination of CDBG and Low Income Housing Tax Credit funding.
Spot Blight	Not applicable	Not applicable
Urgent Needs	The new housing is needed to respond to a threat to the health or welfare of the community of recent origin and no other funding is available to meet the threat and the new construction is eligible (or the statutory waiver Authority for Presidentially-declared disasters is exercised).	Housing needed to replace units completely destroyed by a flood and needed to be built in a new location.

2.5.5 Architectural Barrier Removal

The HCDA makes specifically eligible the removal of material and architectural barriers that restrict the accessibility or mobility of elderly or handicapped persons.

Confusion has emerged concerning the distinction between removing barriers to accessibility and the need to provide for accessibility. Together, these issues led some grant recipients and beneficiaries to the impression that the involvement of the removal of barriers would qualify an entire activity for assistance under the CDBG program, or that the additional costs of making even newly constructed buildings accessible to the handicapped should be eligible for CDBG assistance under that authority, whether or not the rest of the building could so qualify.

If the construction or rehabilitation of the building is otherwise eligible for assistance with CDBG, the activities should be funded as an integral part of construction under the appropriate eligible activity. However, if the basic building, facility, or activity is not otherwise eligible under another provision of the HCDA, then the removal of architectural barriers in such a building or facility must be eligible under this category. The most obvious example of such an activity would be the removal of architectural barriers in a building for the general conduct of government.

Complying with National Objectives

Since the cost of removing existing barriers is specifically eligible under the HCDA, the removal of accessibility barriers may be presumed to meet the L/M Income Limited Clientele criteria if the costs of removal are restricted, to the extent practicable, to the removal of such barriers in:

- ✓ The reconstruction of a public facility or improvement, or portion thereof, that does not meet the criteria for L/M Income Benefit under Area Benefit;
- ✓ The rehabilitation of a privately-owned nonresidential building or improvement that does not meet the criteria for L/M Income Benefit under Area Benefit or Jobs; or
- ✓ The rehabilitation of the common areas of a residential structure that contains more than one dwelling unit and that does not meet the criteria for L/M Income Benefit under Housing.

2.5.6. Loss of Rental Income

CDBG funds may be used to pay housing owners for the loss of rental income incurred in holding, for temporary periods, housing units to be used for the relocation of individuals and families displaced by CDBG-assisted activities.

The statutory requirements concerning displacement require certain replacement housing to be made available to displacees. If the displaced household requires a type of housing unit that is scarce in that community, it may be necessary for the grant recipient to have an existing, available unit held open for the household for a short period until the displacement actually occurs.

Complying with National Objectives

Determining compliance of this activity with the national objectives of the CDBG program must be based on the underlying relocation activity.

If the activity resulting in the relocation assistance to the displaced household qualified on the basis of benefit to L/M income persons, then paying housing owners for losses incurred in holding units for those displacees also qualifies as benefiting L/M income persons, even if the displaced household itself is not L/M income.

Note: If the relocation assistance to displacees qualified under the “Blight” or “Urgent Needs” national objectives, then paying housing owners for losses incurred in holding units for those displacees also would qualify under “Blight” or “Urgent Needs,” as applicable.



2.5.7. Public Services

Under this category, CDBG funds may be used to provide public services (including labor, supplies, materials, and other costs), provided that the following criterion is met:

The public service must be either:

1. A new service; or
2. A quantifiable increase in the level of a service above that which has been provided by or on behalf of the municipality (through funds raised by the grantee or received by the grantee from the state) during the 12 months prior to submission of an application.

Public services include, but are not limited to:

- ✓ Child care,
- ✓ Health care,
- ✓ Job training (training a qualified pool of candidates for unspecified jobs.)
- ✓ Recreation programs,
- ✓ Education programs,
- ✓ Public safety services,
- ✓ Services for senior citizens,
- ✓ Services for homeless persons, and victims of domestic violence,
- ✓ Drug abuse counseling and treatment,
- ✓ Energy conservation counseling and testing,
- ✓ Homebuyer down payment assistance,
- ✓ Emergency assistance payments (for example, to keep tenants from losing housing), and
- ✓ Legal services (including walk-in legal counseling, foreclosure mitigation and prevention, landlord/tenant matters, veterans and public benefit appeals, child support orders, reasonable accommodations for persons with disabilities, and consumer protection).

Paying the cost of operating and maintaining that portion of a facility in which the service is located is also considered to fall under the basic eligibility category of Public Services, even if such costs are the only CDBG-funded contributions for those services.

The following **are not** eligible public services under this category:

- ✓ Political activities;
- ✓ Ongoing grants or non-emergency payments (defined as more than three consecutive months) to individuals for their food, clothing, rent, utilities, or other income payments.
- ✓ Payment of expenses in connection with litigation against the grantee or non-profit.

National Objectives – Public Services		
National Objective	Qualifies If...	Example

L/M Income Area Benefit	The public service is available to all the residents in a particular primarily residential area, and at least 51% of those residents are L/M income persons.	Operation of after-school programs for children attending an elementary school serving a predominantly L/M income area.
L/M Income Limited Clientele	The public service is limited to a specific group of people, at least 51% of who 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.	Provision of meals to the homeless. (Most public services qualify under this category.)
L/M Income Housing	Not applicable	Not applicable
L/M Income Jobs	Not applicable	Not applicable
Slum or Blighted Area	The public service is provided within a designated slum or blighted area, and is designed to address one or more conditions which contributed to the deterioration of the area.	Provision of crime prevention counseling to residents of a designated slum or blighted area.
Spot Blight	Not applicable	Not applicable
Urgent Needs	The public service is designed to alleviate existing conditions that pose a serious and immediate threat to the health or welfare of the community, they are of recent origin or recently became urgent, and the grant recipient is unable to find other available funds to support the activity.	Additional police protection to prevent looting in an area damaged by a tornado.

2.5.8. Payment of Non-Federal Share

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 that are otherwise eligible for CDBG assistance. Therefore, any proposed use of CDBG funds to pay the non-federal share of a federal grant-in-aid program should be evaluated against the requirements of the applicable eligibility category.

It should also be noted that the authority to use CDBG funds for the non-federal share of another program does not override any specific restriction against that use that may be contained in the HCDA or regulations for that program. For example, the HOME program requires a non-federal match, but specifically states that CDBG expenditures may not count towards meeting that requirement.

2.5.9. Relocation



CDBG funds may be used for relocation payments and assistance to displaced persons, including:

- ✓ Individuals,
- ✓ Families,
- ✓ Businesses,
- ✓ Non-profit organizations, and
- ✓ Farms

Complying with National Objectives

Determining compliance of this activity with the national objectives of the CDBG program must be based on the underlying relocation activity.

[24 CFR 570.488 and 24 CFR 570.606](#)

Relocation payments are **required** in certain circumstances.

Where such assistance is **required**, 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.

If the grant recipient 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 displacees are L/M income*. This is because the grant recipient is required by law to make such payments and therefore it must be viewed as an integral part of the displacing activity.

2.5.10 Planning and Capacity Building

CDFA may also award grants to municipalities in which planning is the only activity, or in which planning activities are unrelated to any other activity funded as part of the grant. These are often referred to as “*planning-only grants*” or “*planning-only activities*.” CDBG funds may be used under this category for activities designed to improve the grantees capacity (or that of its sub-recipients) to plan and manage programs and activities for the grantees CDBG program.

CDBG funds may be used for:

- ✓ Studies,
- ✓ Analysis,
- ✓ Data gathering,
- ✓ Preparation of plans, and
- ✓ Identification of actions that will implement plans.

The types 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;
- ✓ Local analyses of impediments to fair housing choice;
- ✓ Environmental and historic preservation studies; and
- ✓ Functional plans (such as plans for housing, land use, energy conservation, or economic development).

Planning and capacity building activities do not include:

- ✓ Engineering, architectural, and design costs related to a specific project (for example, detailed engineering specifications; working drawings, bid documents); or
- ✓ Other costs of implementing plans.

Complying with National Objectives

Planning-only grants or activities must comply with the requirements or LMI or slum and blight national objectives. (It is **not** possible for a planning-only grant or activity to comply with the Urgent Needs national objective.)

Planning-only grants or activities can meet the LMI Benefit objective if it can be shown that at least 51 percent of the persons who would benefit from implementation of the plan are L/M income persons.

[24 CFR 570.483\(b\)\(5\)](#)
and
[24 CFR 570.483\(c\)\(3\)](#)

be

Planning-only grants or activities can meet the Slum/Blight national objective if the plans are for a slum or blighted area, or if all the elements of the planning are both necessary for and related to an activity which, if implemented, could be shown to meet the Slum/Blight national objective criteria.

For either the LMI Benefit or the Slum/Blight national objective, such determinations are *NOT* dependent on the planned-for activity or project actually being implemented at some point.

2.5.11 Program Administration

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 program. Program administration costs include staff and related costs required for overall program management, coordination, monitoring, reporting, and evaluation.

In the State CDBG program, this category includes both the state's costs of administering the CDBG program as well as the municipalities' (and their sub-recipients') costs of administering grants awarded to them by the state.

Other activities eligible under this category include:

- Citizen participation costs,

- Fair housing activities,
- Indirect costs charged using an accepted cost allocation plan,
- Staff and overhead costs for project delivery, and
- Certain costs of administering a federally designated Empowerment Zone or Enterprise Community.

2.5.12 Assistance to For-Profit Businesses

This section describes what is possible under the statute and the regulations. Not all states design their CDBG programs to encompass all possible activities. It is important for both states and state grant recipients to understand what is and is not allowed under the CDBG program, and to distinguish between federal program requirements and additional state-imposed requirements.

Activities eligible under this section include:

- ✓ Loans,
- ✓ Grants, or
- ✓ Other direct financial assistance to pay for the expansion of a factory or commercial business, or the establishment of a new facility or business.

For example, the CDBG funds could be provided to the for-profit company in order to:

- Purchase land;
 - Construct a building or other improvements;
 - Renovate an existing building to accommodate the business;
 - Construct tenant improvements/finishes;
 - Lease space in or purchase an existing building;
 - Purchase capital equipment;
 - Purchase inventory;
 - Use as working capital;
 - Provide employees with higher wages or fringe benefits (such as health insurance) that the company would not otherwise provide; and
 - Provide job training to newly-hired employees who otherwise would not qualify for those jobs.
- ✓ Technical assistance to a business facing bankruptcy or otherwise at-risk.
-
- ✓ Providing services or benefits to newly-hired employees that allow them to hold the jobs, such as transportation to the jobsite or day care assistance. The company could provide subsidies or vouchers to employees to obtain such services on their own; or the
-

company could provide these services directly for their employees (for example, operating an on-site day care center); or the company could contract with a third party to provide/operate these services (for example, contracting with a bus service to transport employees to work).

*Economic development activities do **not** include:*

- ✓ Assistance to a for-profit business in the form of lobbying or other political activities.
- ✓ Assisting directly in the relocation of any industrial or commercial plant, facility, or operation from one area to another area, if the relocation is likely to result in a significant loss of employment in the labor market area from which the relocation occurs.

[24 CFR 570.482\(h\)](#)

National Objectives – Assistance to For-Profit Businesses		
National Objective	Qualifies If...	Example
L/M Income Area Benefit	The assistance is to a business that provides goods or services to residents of an L/M income residential area.	Working capital or expansion loan to a neighborhood business such as a grocery store or laundromat, serving a neighborhood area with 62% L/M income residents.
L/M Income Limited Clientele	The only use of CDBG is to provide job training or other employment support services as part of a CDBG-eligible economic development project, and the percentage of total project cost contributed by CDBG does not exceed the percentage of all persons assisted who are L/M income, but the percentage of L/M income persons assisted is less than 51%.	Training for 30 new employees, ten of whom (30%) are L/M income, hired by a manufacturer adding new machinery to its plant where CDBG pays no more than one-third (30%) of the total cost of the project, including the training. CDBG can also provide assistance for the purchase of new machinery.
L/M Income Jobs	The assisted project involves the creation or retention of jobs at least 51% of which benefit L/M income persons.	Financial assistance to a manufacturer for the expansion of its facilities, through purchase of additional land or building expansion or improvements, where the expansion is expected to create permanent jobs, at least 51% of which will be available to L/M income persons.
Slum or Blighted Area	The assistance is to a business in a designated slum or blighted area and addresses one or more of the conditions that contributed to the deterioration of the area.	A loan to a private development company to acquire and clear an abandoned rail yard in a designated area so the site can be redeveloped as an industrial park.



National Objectives – Assistance to For-Profit Businesses		
National Objective	Qualifies If...	Example
Spot Blight	<p>The assistance is to a business located outside of a designated slum or blighted area where:</p> <p>(1) The assistance is designed to eliminate specific conditions of blight or physical decay; and</p> <p>(2) The assistance is limited to the following activities:</p> <ul style="list-style-type: none"> • acquisition, • clearance, • relocation, • historic preservation, and • building rehabilitation. <p>Rehabilitation must be limited to the extent necessary to eliminate specific conditions detrimental to public safety and health.</p>	<p>Financial assistance to a business to demolish a dilapidated structure it owns and construct a new building on the site.</p>
Urgent Need	<p>The assistance to a commercial or industrial business is designed to alleviate existing conditions and the grant recipient certifies that such conditions pose a serious and immediate threat to the health or welfare of the community, they are of recent origin or recently became urgent, the grant recipient is unable to finance the activity on its own, and other sources of funds are not available.</p>	<p>Provision of direct assistance to reconstruct the only grocery store in a small, remote town that was damaged by a tornado, where no other funds are available for the reconstruction.</p>

Other Important Considerations

Job Pirating:

It is common practice in the economic development field for communities to compete against one another to be the site of new commercial or industrial facilities. One of the more controversial aspects of this practice occurs when communities offer CDBG assistance to a business to induce the business to move its existing operations from another community. The gaining community seeks to provide new jobs for its residents, but those gains sometimes comes at the expense of employees currently holding jobs with that business in another community, who are not in a position to follow their employer (and their job) to a new location. This practice has come to be known as “job relocation,” or more commonly, “job piracy.”

[Attachment 2-4: CDFA Pirating Policy](#)

The HCDA prohibits CDBG funds from being used “...to assist directly in the relocation of any industrial or commercial plant, facility, or operation, from (one) area to another, if the relocation is likely to result in a significant loss of employment in the labor market area from which the relocation occurs.”

Eminent Domain:

The HUD Appropriations Act includes the prohibition on the use of CDBG funds in conjunction with eminent domain. This prohibition is not in the Housing and Community Development Act, but is contained in each year's HUD Appropriations Act. The text of the provision is as follows:

"No funds in this Act may be used to support any Federal, State, or local projects that seek to use the power of eminent domain, unless eminent domain is employed only for a public use: Provided, That for purposes of this section, public use shall not be construed to include economic development that primarily benefits private entities: Provided further, That any use of funds for mass transit, railroad, airport, seaport or highway projects as well as utility projects which benefit or serve the general public (including energy-related, communication-related, water-related and wastewater-related infrastructure), other structures designated for use by the general public or which have other common-carrier or public-utility functions that serve the general public and are subject to regulation and oversight by the government, and projects for the removal of an immediate threat to public health and safety or brownfields as defined in the Small Business Liability Relief and Brownfields Revitalization Act (Public Law 107-118) shall be considered a public use for purposes of eminent domain."

For grantees, this means quite simply CDBG funds may not be used for any economic development projects where eminent domain has also been utilized by a federal, state or local government in relation to that site or project.

Underwriting Requirements:

HUD has development minimum underwriting guidelines designed to assist grantees to select economic development projects that are financially viable and will result in the most effective use of CDBG funds. There are six criteria that must be evaluated:

[Attachment 2-5:
Underwriting
Requirements](#)

1. Project costs are reasonable;
2. All sources of project financing are committed;
3. To the extent practicable, CDBG funds are not substituted for non-federal financial support;
4. Project is financially feasible;
5. To the extent practicable, the return of the owner's equity investment will not be unreasonably high; and
6. To the extent practicable, CDBG funds are disbursed on a pro-rata basis with other finances committed to the project.

These guidelines do not apply to public facilities or microenterprise activities.

More detailed information on CDFA's underwriting requirements can be found in Attachment 2-5: Underwriting Requirements.

Public Benefit Standards:

Grantees should be aware that the public benefit standards and underwriting guidelines do apply to job training and other economic development services activities funded with CDBG, even though they may not involve direct financial assistance to a business. Furthermore, it is important to remember that the public benefit standards are part of the statutory eligibility requirements of the program. Their applicability is triggered by the **eligibility** category under which the activity is funded, **not by what national objective** the activity is designed to address.

By regulation, HUD has also included under this requirement, under certain circumstances, a public improvement activity that qualifies under the L/M Income Jobs subcategory of the L/M Income Benefit national objective.

[24 CFR 570.
483\(b\)\(4\)\(vi\)\(F\)](#)

Individual Standards:

For an activity that creates or retains jobs, the use of CDBG funds cannot exceed *\$50,000 per full-time equivalent job*, or;

For an activity that provides goods or services to residents of an area, the amount of CDBG funds provided for the activity cannot exceed *\$1,000 per L/M person served*.

The effect of these dollar limits is that, if an activity could both create or retain jobs AND provide goods or services to persons, it must fail *both* dollar standards to be precluded on the basis of these individual activity standards (and thus ineligible to be carried out using CDBG funds).

HUD also determined that there are certain kinds of economic development activities that by their nature *fail* to provide sufficient public benefit. They are:

- ✓ An activity in which the grant recipient promotes the community as a whole (as opposed to promotion of specific areas and programs);
- ✓ Assistance to a professional sports team;
- ✓ Assistance to privately-owned recreational facilities that serve a predominantly higher-income clientele, where the recreational benefit to be derived by users or members clearly outweighs the employment or other benefits to L/M income persons;
- ✓ Acquisition of land for which the specific proposed use has not yet been identified; and
- ✓ Assistance to a for-profit business while that business or any other business owned by the same person(s) or entity(ies) is the subject of unresolved findings of noncompliance relating to previous CDBG assistance provided to the business.

Therefore, any activity subject to the Public Benefit standards that falls into any of the above descriptions **may not be assisted with CDBG funds** regardless of any other aspect of the activity.

Aggregate Standards:

Activities that are subject to the Public Benefit standards and pass the individual activity tests outlined above also must generally, in the aggregate, either:

- ✓ Create or retain at least *one full-time equivalent, permanent job per \$35,000* of CDBG funds used for all such activities or
- ✓ Provide goods or services to residents of an area, such that the number of L/M income persons residing in the area served by the assisted businesses amounts to at least *one L/M income person per \$350* of CDBG funds used for all such activities.

As with the individual standards, if the activity can both create or retain jobs AND provide goods or services to residents of an area, the grant recipient may elect to apply either of the above aggregate standards to the activity. However, only **one** standard shall be used for each such activity. That is, if the grant recipient elects to use the area standard, any jobs created or retained by the activity are not to be counted for purposes of applying that aggregate standard.

2.5.13. Housing Services

CDBG funds may be used to pay costs in support of activities eligible for funding under the HOME program. This includes services such as housing counseling in connection with tenant-based rental assistance and affordable housing projects, energy auditing, preparation of work specifications, loan processing, inspections, tenant selection, management of tenant-based rental assistance, and other services related to assisting owners, tenants, contractors, and other entities participating or seeking to participate in the HOME program.

Complying with National Objectives

Since such assistance must also meet HOME income targeting requirements, see the discussion under L/M Income Housing in the National Objective section above, to determine how these services can meet the CDBG national objectives.

Note: Activities funded under this provision are not prohibited from qualifying under other CDBG national objectives, but the requirement to comply with HOME criteria makes the L/M Income Housing Benefit the clear alternative for CDBG compliance.

2.5.14. Microenterprise Assistance

Activities assisted under microenterprise is limited to the provision of assistance to public and private organizations, agencies, and other entities (including non-profit and for-profit entities) to enable such entities to facilitate economic development by:

1. Providing credit (including providing direct loans and loan guarantees, establishing revolving loan funds, and facilitating peer lending programs) for the establishment, stabilization, and expansion of microenterprises;
2. Providing technical assistance, advice, and business support services (including assistance, advice, and support relating to developing business plans, securing funding, conducting marketing, and otherwise engaging in microenterprise activities) to owners of microenterprises and persons developing microenterprises; and
3. Providing general support (such as peer support programs and counseling) to owners of microenterprises and persons developing microenterprises.

Complying with National Objectives

Because microenterprises are for-profit businesses, most of the guidelines for meeting national objectives under other economic development eligibility categories also apply here. There is one notable exception, however. A microenterprise assistance activity may qualify under the L/M Income Limited Clientele national objective criteria if it assists owners of and/or persons developing a microenterprise who are L/M income persons. If such assistance is provided to owners/persons developing a microenterprise who are not L/M income persons, it would not qualify under Limited Clientele, but would need to meet the requirements of other subcategories (for example, Area Benefit or Jobs).

See the following chart for further elaboration on meeting the L/M Income Benefit national objective.

More detailed information on utilizing Microenterprise Assistance can be found in the CDFA Microenterprise Guide.

[Attachment 2-6: CDFA Microenterprise Guide](#)

National Objectives – Microenterprise Assistance		
National Objective	Qualifies If...	Example
L/M Income Area Benefit	The microenterprise assisted provides services to a residential area that has a sufficiently high percentage of L/M income persons.	A small carry-out store (with no more than 5 employees, including the owner) in a neighborhood having more than 51 percent L/M income residents.
L/M Income Limited Clientele	The microenterprise assistance is provided to a L/M income person who owns or is developing a microenterprise.	Assisting a resident of public housing to establish a business providing childcare or providing assistance to an owner/proprietor to purchase a tow truck to establish a towing business.
L/M Income Jobs	The microenterprise assisted will create or retain jobs, 51 percent or more of which will benefit L/M income persons.	Assisting in the expansion of a house cleaning service with two employees that agrees to hire an additional L/M income person for the business.

2.5.15. Homeownership Assistance

The specific purposes for which financial assistance using CDBG funds may be provided under this category are to:

- Subsidize interest rates and mortgage principal amounts, including making a grant to reduce the effective interest rate on the amount needed by the purchaser to an affordable level. (The funds granted would have to be applied towards the purchase price.) Alternatively, the grant recipient/sub-recipient could make a subordinate loan for part of the purchase price, at little or no interest, for an amount of funds the payments on which, together with that required under the first mortgage, would be affordable to the purchaser.
- Finance the cost of acquiring property already occupied by the household at terms needed to make the purchase affordable.
- Pay all or part of the premium (on behalf of the purchaser) for mortgage insurance required up-front by a private mortgagee. (This would include the cost for private mortgage insurance.)
- Pay any or all of the reasonable closing costs associated with the home purchase on behalf of the purchaser.
- Pay up to 50 percent of the down payment required by the mortgagee for the purchase on behalf of the purchaser.



Note: The use of funds under this category is specifically limited to assisting low- and moderate-income households.

Complying with National Objectives

The use of CDBG funds authorized under this category is limited to assisting low- and moderate-income households, any such use of funds must qualify under the national objective of benefit to low- and moderate-income persons-housing activities (LMH).

2.5.16. Construction of Tornado-safe Shelters

Public Law 108-146, enacted December 3, 2003, otherwise known as the Tornado Shelters Act, amended Title I of the HCDA of 1974 to make CDBG eligible for the construction of tornado shelters in neighborhoods where there are residents of manufactured housing. Grantees can provide assistance to non-profit and for-profit entities (as loans or grants) for the purpose of constructing tornado-safe shelters. The construction of tornado shelters may be carried out in neighborhoods that may or may not contain a manufactured housing park, provided such a neighborhood contains not less than 20 manufactured housing units and the shelter is available to the manufactured housing residents. Furthermore, a neighborhood or manufactured housing park that receives assistance under this provision must meet the following criteria:

- 1) Consist predominantly of low- and moderate-income persons; and
- 2) Be located in a state in which a tornado has occurred within the past three years; and
- 3) Have a warning siren in the neighborhood where the shelter will be located or, if the shelter is located in a manufactured housing park, within 1,500 feet of the park; and
- 4) Ensure the shelter is sufficient in size to accommodate all of the occupants of the manufactured housing units at the same time and be located in the neighborhood in which the shelter will be used; and
- 5) Comply with the standards for construction as identified by the Federal Emergency Management Agency (FEMA) in Publication FEMA 361, Design and Construction Guidance for Community Shelters. This publication is available on FEMA's website at <http://www.fema.gov/library/viewRecord.do?id=1657>

Complying with National Objectives

Because the statute requires that shelter-assisted neighborhoods be comprised of predominantly low- and moderate-income residents, any use of CDBG funds under this category must qualify under the national objective of benefit to low- and moderate-income persons (LMA). A grantee must be able to document that at least 51 percent of the residents of the tornado shelter service area are low- and moderate-income persons.

2.5.17. Lead-based Paint Hazard Evaluation and Reduction

The costs associated with the evaluation and reduction of lead-based paint hazards are eligible expenses under CDBG whether undertaken alone or in conjunction with other rehabilitation. Lead-based paint evaluation and abatement can either be completed as its own activity or as part of a rehabilitation activity. Typically, these expenses might include:

- Inspecting buildings for possible lead-based paint hazards;
- Testing surfaces to see if they contain-lead based paint;

- The abatement of lead hazards; and
- Payment of temporary relocation costs to protect residents from hazards while abatement work is taking place.

Complying with National Objectives

Lead-based paint hazard evaluation and reduction activities may qualify under the Housing category of the LMI Benefit national objective. In order to provide these activities for homeownership units, the residents of the units must be Low or Moderate Income (LMI).

For rental units the following conditions must be met:

- Rents must be set at levels which are affordable to LMI persons. Grantees must adopt standards for determining “affordable rents”.
- The general rule is that 51 percent of the units in each assisted structure are to be occupied by LMI households.

Single unit properties must be occupied by an LMI household. In structures with two units, at least one must be occupied by an LMI household. For properties with three or more units, at least 51 percent must be occupied by LMI households.

Section 2.6 Ineligible Activities

In general, any activity not specifically authorized under CDBG statute or regulations is ineligible for CDBG funds. In addition, the statute specifically stipulates that the following activities may not be assisted with CDBG funds:

1. Buildings for the general conduct of government, except to create accessibility for disabled population (e.g., city hall);
2. General government expenses;
3. Political activities;
4. Purchase of equipment or furnishings for a property. This excludes certain types of manufacturing equipment connected with economic development activities and the purchase of fire trucks as firefighting equipment;
5. New housing construction and Income Payments (Income Payments are defined in the regulations as direct payments to subsidize rent and/or utilities);
6. Operating and maintenance expenses for public facilities, improvements and services, and
7. Lobbying activities.

NOTE: CDBG-assisted facilities may not be used as collateral during any part of the grant period.
