

## Community Development Block Grant (CDBG) Eligible/ Ineligible Activities

Administrative & Planning Costs	CDBG Conditions
Program Administrative Costs - 570.206	<ul style="list-style-type: none"> <li>• General management, oversight, and coordination</li> <li>• Providing local officials and citizens with information about the CDBG program</li> <li>• Preparing budgets, schedules, reports and other HUD documents</li> <li>• Monitoring activities</li> <li>• Fair Housing Activities</li> </ul>
Planning - 570.205 <b>Limited to 20% cap of total CDBG allocation (Administrative and Planning Costs combined)</b>	<ul style="list-style-type: none"> <li>• Comprehensive Plans</li> <li>• Community development plans</li> <li>• Functional plans (housing, Consolidated Plan, land use, economic development, open space and recreation, energy use and conservation, floodplain and wetlands management, transportation, utilities, and historic preservation)</li> <li>• Other plans and studies</li> </ul>
Eligible Public Facility and Improvement Projects 570.201(c)	CDBG Conditions
Sewer and Water Facilities	<p>Eligible facilities include but are not limited to:</p> <ul style="list-style-type: none"> <li>• Infrastructure</li> <li>• Neighborhood facilities</li> <li>• Facilities for persons with special needs</li> </ul> <p>Eligible costs include:</p> <ul style="list-style-type: none"> <li>• Energy efficiency improvements</li> <li>• Handicapped accessibility improvements (to include buildings for the general conduct of government)</li> <li>• Architectural design features and similar treatments, such as landscaping, sculptures, pools of water and fountains and other works of art</li> </ul> <p><b>NOTE:</b> <i>If the facility is owned by a non-profit, the facility must be open to the public during working hours.</i></p>
Streets and Sidewalks	
Curbs and Gutters	
Parks and Recreational Facilities	
Youth and Senior Centers	
Facilities for Persons with Special Needs	
Parking Lots or garages	
Privately-Owned Utilities	
Recreation Centers	
Fire Station/Equipment - 570.207 (b)(1)(ii)	Fire protection equipment including fire engines, fire fighters' protective clothing, "jaws of life," and other life-saving equipment are eligible for CDBG funding under Public Facilities and Improvements as this equipment is integral to the fire protection facility.
City Halls, or government centers	<p>The Community Development Block Grant funds may be used by the grantee or other private or public non-profit organizations to develop, improve, or install a public facility <b>except for buildings used for the general conduct of government.</b></p> <p><i>"Buildings for the general conduct of government"</i> means:</p> <ul style="list-style-type: none"> <li>• City halls;</li> <li>• County administrative buildings;</li> <li>• State capital or office buildings; and</li> <li>• Other facilities in which the legislative, judicial, or general administrative affairs of government are conducted.</li> </ul>
Neighborhood Facilities	Public facilities that serve the entire jurisdiction of the grantee, a main library for example, may qualify under the Low-Moderate Income (LMI) Area Benefit national objective only if the percentage of LMI persons in the entire jurisdiction is sufficiently high to meet the "area benefit" test.

**PUBLIC FACILITIES AND IMPROVEMENTS – MEETING A NATIONAL OBJECTIVE**

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

Eligible Real Property & Housing Projects	CDBG Conditions
Acquisitions of land or buildings – 570.201 (a)	<ul style="list-style-type: none"> <li>• Acquisition (by purchase, long-term lease of 15 years or more, donation, or otherwise) of real property</li> <li>• Acquisition of interests in property such as:               <ul style="list-style-type: none"> <li>- Land</li> <li>- Air rights, water rights, and mineral rights</li> <li>- Rights-of-way and easements</li> <li>- Buildings and other real property improvements</li> </ul> </li> </ul>
Disposition – 570.201(b)	<ul style="list-style-type: none"> <li>• CDBG funds may be used to dispose of property acquired with CDBG funds provided the property will be used to meet a National Objective.</li> <li>• The property may be sold at less than fair market value.</li> <li>• The reasonable cost to temporarily manage the property is also eligible.</li> <li>• Costs may include legal fees, surveys, market studies, financial fees and other costs incurred in the transfer of property.</li> </ul>
Clearance Activities – 570.201(d)	<ul style="list-style-type: none"> <li>• Demolish buildings and improvements;</li> <li>• Remove rubble and debris after demolition;</li> <li>• Remove environmental contaminants or treat them to make them harmless; and</li> <li>• Move structures to other sites.</li> </ul> <p><b>Note:</b> <i>The demolition of HUD – assisted housing units may only be done with prior approval from HUD. This includes properties with project – based or development subsidies, Public Housing, or HOME – program properties in which affordability requirements have not expired.</i></p>
Interim assistance – 570.201(f)	<p>These projects may be undertaken on an interim basis in areas exhibiting objectively determinable signs of physical deterioration where it was determined that immediate action is necessary to arrest the deterioration and that permanent improvements will be carried out as practicable to repair: streets; sidewalks; parks; playgrounds, publicly owned utilities; and the execution of special garbage, trash, and debris removal, including neighborhood cleanup campaigns, but not the regular curbside collection of garbage or trash in an area.</p>
Urban Renewal Projects – 570.201(h)	<ul style="list-style-type: none"> <li>• Payment of the cost of completing an urban renewal project funded under Title I of the Housing Act of 1949 as amended.</li> </ul>
Relocation – 570.201(i)	<ul style="list-style-type: none"> <li>• Relocation of payments and other assistance for permanently and temporarily relocated individuals,</li> <li>• Families,</li> <li>• Businesses,</li> <li>• Non-profit organizations, and</li> <li>• Farm operations.</li> </ul>
Loss of Rental Income – 570.201(j)	<ul style="list-style-type: none"> <li>• Payments to housing owners for losses of rental income incurred in holding, for temporary periods, housing units to be used for the relocation of individuals and families displaced by program activities assisted.</li> </ul>
Housing Services – 570.201(k)	<ul style="list-style-type: none"> <li>• Housing services in support of the HOME program, such as pre-purchase counseling or administrative costs to operate a tenant-based rental assistance program.</li> </ul>
Privately Owned Utilities – 570.201(l)	<ul style="list-style-type: none"> <li>• CDBG funds may be used to acquire, construct, reconstruct, rehabilitate, or install the distribution lines and facilities of privately owned utilities, including the placing underground of new or existing distribution facilities and lines.</li> </ul>
Construction of Housing – 570.201(m)	<ul style="list-style-type: none"> <li>• CDBG funds may be used for the construction of housing in limited circumstances by certain eligible entities.</li> </ul>
Homeownership Assistance – 570.201(n)	<ul style="list-style-type: none"> <li>• Homeownership assistance, such as down payment assistance, closing costs, or mortgage interest subsidy for homebuyers.</li> </ul>

Other Eligible CDBG Projects	CDBG Conditions
Public Services – 570.201(e) <b>Limited to 15% cap of total CDBG allocation</b>	CDBG funds may be used to pay for labor, supplies, and materials as well as the cost to operate and/or maintain the facility for public services to include but not limited to: <ul style="list-style-type: none"> <li>• Employment</li> <li>• Services for homeless persons and seniors</li> <li>• Crime prevention</li> <li>• Childcare</li> <li>• Health services</li> <li>• Substance abuse services (counseling and treatment)</li> <li>• Fair housing counseling</li> <li>• Education and recreational programs</li> </ul>
Micro – Enterprise Assistance – 570.201(o)	The provisions of assistance either through the recipient directly or through public or private organizations, agencies, and other sub-recipients (including non-profit and for-profit sub-recipients) to facilitate economic development by: <ul style="list-style-type: none"> <li>• Providing credit, including, but not limited to, grants, loans, loan guarantees, and other forms of financial support, for the establishment, stabilization, and expansion of micro-enterprises;</li> <li>• Providing technical assistance, advice, and business support services to owners of micro-enterprises and persons developing micro-enterprises; and</li> <li>• Providing general support, including but not limited to, peer support programs, counseling, childcare, transportation, and other similar services, to owners of micro-enterprises and persons developing micro-enterprises.</li> </ul>
Rehabilitation of buildings and improvements eligible for rehabilitation assistance – 570.202(a)	CDBG may be used to finance the rehabilitation of: <ul style="list-style-type: none"> <li>• Privately – owned homes;</li> <li>• Publicly – owned residential housing;</li> <li>• Publicly or privately – owned commercial or industrial buildings;</li> <li>• Nonresidential buildings owned by nonprofits; and</li> <li>• Manufactured housing when it is part of the permanent housing supply.</li> </ul>
Code Enforcement – 570.202(c)	<ul style="list-style-type: none"> <li>• The costs of salaries and related expenses, such as legal costs, are included providing the code enforcement is carried out in a deteriorating or deteriorated area and</li> <li>• There are other public or private improvements, rehabilitation, or services that – together with the enforcement activity – are expected to stop the further decline of the area.</li> </ul> <p><b>Note:</b> <i>The costs to correct violations are not included in this provision.</i></p>
Historic preservation. 570.202(d)	<ul style="list-style-type: none"> <li>• CDBG funds may be used for the rehabilitation, preservation or restoration of historic properties, whether publicly or privately owned.</li> <li>• 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.</li> <li>• Historic preservation is not authorized for buildings for the general conduct of government.</li> </ul>
Renovation of closed buildings – 570.202(e)	<ul style="list-style-type: none"> <li>• CDBG funds may be used to renovate closed buildings, such as closed school buildings, for use as an eligible public facility or to rehabilitate such buildings for housing.</li> </ul>
Lead – based paint hazard, evaluation and reduction, and clearance – 570.202(f)	<ul style="list-style-type: none"> <li>• Lead-based paint evaluation and abatement can be completed as its own activity or in conjunction with a rehabilitation activity. Eligible expenses might include testing, abatement, and payment of temporary relocation costs to protect residents from hazards while abatement work is taking place</li> </ul>

Ineligible CDBG Projects	Ineligible Activities Descriptions Under 24 CFR 570.207
Buildings or Portions of Buildings used for the General Conduct of Government	<ul style="list-style-type: none"> <li>Assistance for buildings or portions of buildings used for the general conduct of government (typically city halls or county government centers) – however, CDBG funds may be used in these buildings to remove architectural barriers that restrict the movement of the elderly or persons with severe disabilities.</li> </ul>
General Local Government Expenses	<ul style="list-style-type: none"> <li>General local government expenses unless the expense is authorized under CDBG Entitlement rules or 2 CFR part 200, subpart E.</li> </ul>
Political Activities	<ul style="list-style-type: none"> <li>CDBG funds cannot be used to finance the use of facilities or equipment for any partisan political purpose including voter registration.</li> <li>However, if a facility were originally CDBG-assisted, it may be used on an occasional basis for political meetings, forums, and voter registration, if all parties and organizations have equal access to the building and all are charged equally for the use of the space.</li> </ul>
Purchase of Equipment and Furnishings	<ul style="list-style-type: none"> <li>The purchase of equipment is generally ineligible.</li> <li>Construction equipment may not be purchased with CDBG funds.</li> </ul> <p><b>Special Conditions for using CDBG funds for equipment:</b></p> <ul style="list-style-type: none"> <li>➤ Compensation for the use of construction equipment through leasing, depreciation, or use allowances is an eligible use of funds pursuant to 2 CFR part 200, subpart E for an otherwise eligible activity.</li> <li>➤ The purchase of construction equipment for use as part of a solid waste disposal facility is eligible under the category of Public Facilities and Improvements 570.201(c).</li> <li>➤ Fire protection equipment including fire trucks, firefighter protective clothing, and other life-saving equipment is eligible for CDBG funding under Public Facilities and Improvements 570.201(c) as this equipment is integral to the fire protection facility.</li> <li>➤ Furnishings and personal property that are not an integral structural fixture are generally ineligible, however, CDBG funds may be used to purchase or pay depreciation for such items when necessary for use in the administration of activities when such items constitute all or part of a public service 570.201(e)</li> </ul>
Operating & Maintenance Expenses	<ul style="list-style-type: none"> <li>Operating and maintenance expenses are generally ineligible. This includes the expense to repair, operate, or maintain public facilities, improvements, and services.</li> </ul> <p>Examples of Ineligible Costs include:</p> <ul style="list-style-type: none"> <li>➤ The cost to maintain or repair publicly-owned streets, sidewalks, parks, playgrounds, water and sewer facilities, neighborhood facilities, senior centers, centers for persons with disabilities, parking lots or garages.</li> <li>➤ Filling potholes or sidewalk cracks, grass mowing in recreational areas, and the replacement of street light bulbs.</li> <li>➤ Salaries and other similar expenses for staff operating public works and facilities.</li> </ul>
New Housing Construction	<ul style="list-style-type: none"> <li>New housing construction is generally ineligible, unless undertaken by a qualified Community Based Development Organization (CBDO) under 570.207(b)(3).</li> </ul>
Income Payments	<ul style="list-style-type: none"> <li>Under CDBG rules, this is defined as “a series of subsistence-type grant payments” made to a household for items such as rent, mortgage payments, Note: a Section 8 tenant-based rental assistance program is not eligible under CDBG Program) food, clothing, or utilities.</li> </ul> <p><b>Special Conditions for using CDBG funds:</b></p> <ul style="list-style-type: none"> <li>➤ <i>The exception is: CDBG funds may be used to make emergency grant payments for a period not to exceed three months to the provider of such items or services on behalf of a household under Public Services 570.201(e) and 570.207 (b)(4).</i></li> </ul>

Documenting and Reporting Performance	
Keeping Records	<ul style="list-style-type: none"> <li>• Records must be kept for five years after project completion.</li> <li>• Experienced administrators keep some records indefinitely if they have long-term liability concerns, for example, on projects involving lead-based paint hazard control.</li> </ul>
Types of Records to Maintain	<ul style="list-style-type: none"> <li>• The CDBG regulations at 570.506 categorize the types of records a grantee, subrecipient, or contractor receiving CDBG funds must keep.</li> </ul> <p><b>Individual Activity or Project Records</b></p> <ul style="list-style-type: none"> <li>➤ Description of each project, location, amount of CDBG assistance budgeted, obligated and expended.</li> <li>➤ Sources and uses of funds, including CDBG, and all others.</li> <li>➤ Compliance with Eligibility and National Objectives under 570.208.</li> </ul> <p><b>CBDO Records</b></p> <ul style="list-style-type: none"> <li>➤ Evidence that CBDOs meet designation requirements during the period when they are receiving an allocation of CDBG funds to undertake special activities.</li> </ul>
Financial Record Keeping – 570.502 & 570.506	<p>Subrecipients must keep adequate records that comply with the applicable requirements of 2 CFR 200 Subpart D. The financial records that must be maintained include:</p> <ul style="list-style-type: none"> <li>➤ A chart of accounts that lists all the names and numbers assigned to each account;</li> <li>➤ Accounting journals and ledgers</li> <li>➤ Source documentation that costs were eligible and paid (invoices, purchase orders, canceled checks, etc.)</li> <li>➤ An inventory of real property</li> <li>➤ Bank account records (including revolving loan fund records, if applicable)</li> <li>➤ Drawdown requests</li> <li>➤ Program income records and reports</li> <li>➤ Payroll records and reports</li> <li>➤ Documentation of other administrative costs charged</li> <li>➤ Financial reports</li> <li>➤ Audit files</li> <li>➤ Financial correspondence</li> </ul>

Timely Use of CDBG Funds Under 24 CFR 570.902	
<ul style="list-style-type: none"> <li>• Prior to issuing the next year's Entitlement grant, HUD performs an annual assessment of each grantee's performance. One of the performance factors examined is "timeliness" of program expenditures.</li> </ul>	
<ul style="list-style-type: none"> <li>• This has become an important issue of expending program awarded funds in a timely manner. HUD takes this very seriously.</li> </ul>	
<ul style="list-style-type: none"> <li>• Subrecipients are encouraged to download the "CDBG Timeliness Bulletin" from HUD's website for tips and recommendations to avoid or solve problems with timely use of funds.</li> </ul>	
<ul style="list-style-type: none"> <li>• When subrecipients fail to meet the test, HUD's corrective action will consider the following:               <ol style="list-style-type: none"> <li>1. The likelihood that the subrecipient will spend enough funds during the next program year to reduce the amount of unexpended funds to an acceptable level; and</li> <li>2. The extent to which funds on hand have been obligated by the grantee and its subrecipients for specific activities at the time the finding is made and other relevant information.</li> </ol> </li> </ul>	