

# INTRODUCTION

## **Purpose**

This Guide is designed to help state and local officials understand what activities are eligible to be assisted under the **State Community Development Block Grant (CDBG) program**, and to guide them in interpreting the Housing and Community Development Act of 1974 (HCDA). While the HCDA provides the authoritative version of program requirements, this Guide:

- ✓ Organizes eligibility requirements in a more accessible and understandable format;
- ✓ Provides additional explanatory materials, including examples, to help interpret the HCDA;
- ✓ Provides guidance on the factors to be considered in selecting among alternative categories of eligibility and national objectives, where applicable; and
- ✓ Provides guidance on using additional CDBG resources that may be available.

## **Determining Eligibility: Using this Guide as Interpretive Guidance**

HUD has presented much of the information on eligibility of activities in this guide with reference to the CDBG Entitlement regulations. While the eligible activities provisions of the HCDA govern both the State and Entitlement programs, the Entitlement CDBG program regulations are much more comprehensive than the State CDBG program regulations. Therefore, the eligibility information presented in this guide should be considered as interpretive guidance. State officials may, within reasonable limits, employ their own guidelines for interpreting the HCDA. States may even apply more restrictive eligibility requirements than the HCDA, providing that state restrictions are not inconsistent with or contradictory to the HCDA.

Generally, if an activity is not specified in the HCDA, then it is not considered eligible under the State CDBG program. However, if Entitlement regulations have made an interpretation that an activity is actually eligible under the HCDA, then that interpretation of eligibility may be applied to the State CDBG program.

## **Overview of Contents**

**Chapter 1 (Selecting Activities that Comply)** sets forth several key determinations that a grant recipient must make in order to be sure that a particular activity that is assisted with CDBG funds will be found to meet relevant program rules.

**Chapter 2 (Categories of Eligible Activities)** describes each category of basic eligibility under which an activity may be carried out using CDBG funds. Also described in Chapter 2 are requirements for documenting that activities selected for assistance under the program fall under a particular category of eligibility specified by the grant recipient. The requirement that each assisted activity must address at least one of the national objectives of the State CDBG program is emphasized and examples are provided.

**Chapter 3 (Meeting a National Objective)** describes the several categories under which the national objectives of the program may be addressed, the criteria that must be met for each category, and the records which must be maintained to verify that an activity qualifies as either:

- ✓ Benefiting low- and moderate- (L/M) income persons;
- ✓ Addressing slums or blight; or
- ✓ Meeting a particularly urgent community development need.

**Chapter 4 (Overall Expenditures Level - Benefit to L/M Income Persons)** describes the methodology a state must follow in determining if it is in compliance with the requirement that at least 70 percent of all CDBG funds received by the state during the period of one, two, or three consecutive program years, as selected by the grant recipient for this purpose, be expended on activities which are considered under program rules to benefit L/M income persons. (This requirement is distinct from the requirement that individual activities which are considered under program rules to meet the L/M income national objective must generally benefit persons at least 51 percent of whom are L/M income.)

**Appendices:** The Guide also includes several appendices, each of which can provide useful information to be considered in making choices about how to use program funds:

- (1) Appendix A is Title 1, Section 105(a) of the Housing and Community Development Act of 1974, also known as the HCDA. Section 105(a) contains the list of activities eligible in the CDBG program. The reader should use the HCDA as the authoritative source for determining eligibility of activities.
- (2) Appendix B contains the State CDBG program provisions in the Code of Federal Regulations, 24 CFR 570.480 – .497. Note that the State CDBG program regulations are minimal. The HCDA should be used as the authoritative source for determining eligibility, and the Entitlement CDBG program regulations (in Appendix J) may be used as interpretive guidance.
- (3) Appendix C contains a discussion of the requirement that Public Benefit must be commensurate with the amount of CDBG funds used for certain activities of an economic development nature. The standards for measuring Public Benefit are described.
- (4) Appendix D describes policies relating to special assessments under the State CDBG program that are also referenced in the Guide.
- (5) Appendix E provides guidance on how states may implement a Community Revitalization Strategy approach in their CDBG program. It describes the parameters within which states may design their implementation approach, and the process for HUD approval of a state’s approach.
- (6) Appendix F identifies three approaches a grant recipient may consider taking to stretch its CDBG funds to meet its needs.
- (7) Appendix G contains information on the State CDBG one percent Technical Assistance Set-Aside.
- (8) Appendix H discusses securitizing CDBG-funded rehabilitation and economic development loans using the Section 108 Loan Guarantee program or selling the loans to secondary markets. Issues that communities encounter and solutions for common problems are also described.
- (9) Appendix I contains the Model Record-Keeping Requirements.

(10) Appendix J contains the Entitlement CDBG program eligibility provisions in the 24 CFR 570.200 – .207. Since the State CDBG program regulations eligibility provisions (Appendix B) are minimal, Entitlement CDBG program regulations may be used as interpretive guidance. However, the HCDA should be used as the authoritative source for determining eligibility.

**Important  
Note to  
Guidebook  
Users**

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Considering the broad range of activities that may be carried out with CDBG funds and the need for interpretation of the applicability of requirements to many differing factual situations, this Guide will not provide answers to all questions about activity eligibility.

*To avoid potential problems, states are encouraged to ask the local HUD field office for clarification when requirements appear unclear and to bring ambiguous situations to that office's attention.*

Moreover, program requirements may change subsequent to the publication of this Guide. It is therefore also important that states stay in close contact with their local HUD field office to keep abreast of program changes.

Information about HUD field offices may be found at HUD's Home Page on the World Wide Web at: <http://www.hud.gov/local/index.cfm>