

Community Development Block Grant

Total Funding Available: \$1.0 Billion

N.C. Funding Available: \$6.9 Million for entitlement cities; \$12 Million for non-entitlement cities

Overview:

Community Development Block Grant (CDBG) funds may be used to provide affordable housing, services, and jobs for the most vulnerable in our communities. Generally, appropriations are allocated to states and local jurisdictions through two programs: (1) to entitlement communities, awarded by U.S. Dept. of Housing and Urban Development (HUD); and (2) non-entitlement communities, awarded by N.C. Department of Commerce Division of Community Assistance (DCA) through its “Small Cities” CDBG program.

Entitlement communities are comprised of central cities of metropolitan statistical areas; metropolitan cities with populations of at least 50,000; and qualified urban counties with a population of 200,000 or more (excluding the populations of entitlement cities). **Non-entitlement** communities are cities with populations of less than 50,000 (except cities that are designated principal cities of Metropolitan Statistical Areas) and counties with populations of less than 200,000.

HUD determines the amount of each grant by using a formula comprised of several measures of community need, including the extent of poverty, population, housing overcrowding, age of housing, and population growth lag in relationship to other metropolitan areas. This formula has been applied to stimulus funds designated for the CDBG program. For this special stimulus appropriation, HUD is referring to stimulus CDBG dollars as “CDBG-R” (Community Development Block Grant – Recovery).

Not less than 70 percent of CDBG funds must be used for activities that benefit low- and moderate-income persons. In addition, each activity must meet one of the following objectives: benefit low- and moderate-income persons, prevention or elimination of slums or blight, or address community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community for which other funding is not available.

Special Factors: For CDBG-R funds, HUD will require each applicant to submit a substantial amendment to their submitted 2008 program year action plan.

Grantees will have the full range of CDBG eligible activities at their disposal for CDBG-R, but HUD cautions that Congress clearly intended that CDBG-R funds primarily be invested in economic development, housing, infrastructure and other public facilities activities that will quickly spur further economic investment, increased energy

efficiency, and job creation or retention. In selecting activities for CDBG-R funding, HUD urges grantees to keep in mind that some eligible activities under the Housing and Community Development Act are unlikely to substantively address the intent of the Recovery Act.

To that end, HUD has made provisions for deviations from the typical operation of the CDBG program. Any differences in the typical CDBG program and the CDBG-R funding cycle are typically to expedite the spending of funds. Here are examples of activities that are ineligible for CDBG-R funding: general promotion of the community as a whole; assistance to professional sports teams; assistance to privately-owned recreational facilities that serve a predominantly higher-income clientele, where the recreational benefit to users or members clearly outweighs employment or other benefits to low- and moderate-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 by the recipient.

While stimulus legislation directs that funds must supplement other funding sources, not supplant, HUD has made a different determination for CDBG-R funds: “However, HUD has determined that the purpose language and overall intent of the Act, particularly regarding local fiscal stabilization, supersedes the requirement at 42 U.S.C. 5301(c) that CDBG funding not be used to substantially replace the amount of local financial support previously provided to community development activities.” (Notice of Program Requirements for Community Development Block Grant Program Funding under the American Recovery and Reinvestment Act of 2009, page 20.)

Under CDBG-R, an applicant may not use more than 10% of funds for administrative expenses of the grantee (entitlement city or State). Further, for CDBG-R State applicants, no state match is required for administrative funds.

HUD directs funding recipients to prioritize projects that can award contracts based on bids within 120 days from the date the funds are made available to the recipient. Section 1602 of the Recovery Act further states, “In using funds made available in this Act for infrastructure investment, recipients shall give preference to activities that can be started and completed expeditiously, including a goal of using at least 50 percent of the funds for activities that can be initiated not later than 120 days after the date of the enactment of this Act” (ARRA passage date: February 17, 2009).

How to Access Funding:

Entitlement cities must submit a substantial amendment to their 2008 program year action plans to their HUD field office by **June 4, 2009**. HUD is also permitting cities that have not yet applied for Homeless Prevention and Rapid Re-housing funds under the federal stimulus to combine applications for both the Homeless Prevention grant and the

CDBG-R grant into a single substantial amendment, to be submitted to their HUD field office by **May 18, 2009**.

Non-entitlement cities: The State of North Carolina must submit a substantial amendment to its 2008 program year action plan to its HUD field office by **June 29, 2009**. In advance of that substantial amendment, the Division of Community Assistance (DCA, within the N.C. Department of Commerce) will accept applications from non-entitlement cities.

On May 29, 2009, non-entitlement applicants will find the application and guidelines at the DCA website www.nccommerce.com/en/CommunityServices. **Applications must be received by DCA by June 12, 2009 at 5:00 p.m.**

Due to the short turn-around time on these non-entitlement CDBG applications, the League urges non-entitlement cities to revisit prior unfunded applications for submission, noting whether those projects fit ARRA criteria. DCA encourages applications that would fund (1) infrastructure providing basic services to residents or (2) activities promoting energy efficiency through rehabilitation or retrofitting of existing buildings. DCA has proposed to allocate \$3 million of its allocation for housing, \$5.87 million for infrastructure, \$2 million for special projects, and the remainder for administrative costs.

Federal Contact: HUD CDBG Program: <http://www.hud.gov/recovery/cdblock.cfm>
HUD Guidance: <http://www.hud.gov/recovery/cdbg-r-0504.pdf>

State Contact: Vickie Miller, CDBG Assistant Director
(919) 733-2850, vmiller@nccommerce.com
www.nccommerce.com/en/CommunityServices/CommunityDevelopmentGrants/CommunityDevelopmentBlockGrants/

League Liaison: Erin Wynia, ewynia@nclm.org, 919-715-4126

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