

Community Development Block Grant Frequently Asked Questions

What is a Community Development Block Grant (CDBG)?

- The Community Development Block Grant is a federally funded grant program administered by the U.S. Department of Housing and Urban Development (HUD), aimed to assist low to moderate-income communities in community development projects. Every year, each city with more than 50,000 people and each county with a population with more than 200,000 automatically receive this funding from the federal government.

What type of programs and projects are eligible for Community Development Block Grant (CDBG) funds?

- CDBG funds can be used for a wide range of activities such as housing rehabilitation, code enforcement, acquisition of real property, demolition, infrastructure and public facility improvements, economic development, and social services. The primary eligibility requirement for any such activity to be funded is that the project or program principally benefits low and moderate-income persons in designated census tracts. The U.S. Department of Housing and Urban Development (HUD) defines low and moderate income as a household that is at or below 80% of the median income for the area. These income guidelines are adjusted annually.

How does HUD decide how much funding we will receive?

- HUD calculates our funding percentage each year using census data with a formula that takes into account our total population, the number of persons in poverty and the number of housing units with more than one person per room (overcrowding). Our funding amount is further impacted by the number of new “entitlements” and the funding at the national level. As more communities are authorized to receive funding, everyone’s slice of the funding pie decreases.

What is the annual CDBG Program Cycle?

- City issues public notice that applications are available during a set time frame. Applications are available on the City website.
- Applications are turned in by City Departments and Non-Profit Organizations to the Community Development Office.
- Staff reviews applications City seeks public input on funding through a public hearing for completeness and eligibility/fundability.
- City submits applications to Brownsville Citizens’ Advisory Committee for evaluation and scoring.
- Staff prepares a document called an “Action Plan” and makes the draft available for 30-days of public review and comment.
- Mayor and Commission allocates the funds through the adoption of a resolution. The Action Plan is sent to HUD on November 15th.

- HUD has 45 days to review the Action Plan and request additional information, if necessary.
- If the Action Plan has been accepted by HUD, a new contract is sent to the City execute and funding is made available.
- The City prepares the end of the year report, the Consolidated Annual Performance Evaluation Report (CAPER) by December 31st.
- The CAPER is made available for 15 days of public review comments.
- The CAPER must be submitted to HUD no later than March 31st.
- HUD has 45 days to review the CAPER and request additional information, if necessary.

What activities generally cannot be funded using CDBG funds?

- Assistance for buildings or portions of buildings used for the general conduct of government.
- General local government operating and maintenance expenses.
- Partisan political purposes, including voting registration.
- Equipment purchases (exceptions apply to fire protection equipment).
- New housing construction.

What happens if a project is never finished or is slow to be completed?

- If funds are committed but never used, HUD can instruct the City to reallocate the funds to a different project or return them to HUD.
- For projects using the “benefit low/mod individuals” National Objective, the project is not considered to meet that objective until people are benefitting from it. If CDBG funds are spent, but the project is not finished within a reasonable period of time, HUD will determine that no National Objective was met and will require that all funds expended be repaid out of non-federal dollars.
- CDBG funds should only be awarded when the City is confident that a project can be finished within one year. CDBG funds should not be “seed money” at the front end of a project - they are best used to close a “gap” when the majority of funds have been raised.

What is the CDBG “Timeliness Test”?

- HUD evaluates each grantee’s performance every year. One of the most important factors is the “timeliness” of expenditures.
- On November 1st HUD compares the funds available to be drawn (undisbursed funds from the City’s CDBG line of credit) to the amount of its current allocation and program income that has been receipted. If the balance exceed 1.5 times the annual entitlement amount then the City has failed the Timeliness Test. HUD will remove any funding in the Line of Credit that exceeds the maximum allowable limit.

What determines if a project is eligible for CDBG funding?

- Every project must (a) be eligible within program regulations and (b) meet one of the national objectives.
- In addition, the project should address one of the Priority Needs that are established in the 5-Year Consolidated Plan.
- 70% of all funding must satisfy the Provide a Benefit to Low and Moderate-Income Persons national objective.

- A project benefits low-mod persons if at least 51% of the persons or households that benefit from the project have an annual income that is at or below 80% of the Area Median Income (AMI).
- Different types of projects have specific requirements and may have funding limits. These are discussed in detail below.

What special regulations apply to the various types of projects that can be funded?

- Public Facilities/Infrastructure Projects - Parks, sidewalks, community centers are all examples of eligible public facility projects. Eligibility requirements for park and sidewalk projects include:
 - Low/Mod Service Area. The area to be served by the project (where people live who will use the facility) must have an overall low/mod population of at least 51%.
 - Residential Area. The service area must be primarily residential in nature.
 - Public Facilities are generally defined to be either publicly owned or owned by a non-profit and operated so as to be open to the general public during normal operating hours.
 - Reasonable Fees. If fees are charged for the use of the facility they must be reasonable and not have the affect of preventing low/mod individuals from using the facility.
 - Low/Mod Clientele. 51% or more of the people using the facility must be low/mod (documentation required)
 - Program Income. Net profits from use of the facility are considered program income and must be reported and possibly returned to the City's HUD CDBG account.
- Public Services (funding programs that benefit low/mod individuals)
 - Supplanting other funds. HUD will not allow CDBG funds to be substituted for funds that were previously paid by the City or the State for that same program. For example, if CDBG funds are awarded to a project, any funds awarded to the same program should not be lower than the city's funding during the previous year.
 - New program/Quantifiable Increase. The non-profit has to show that funding is requested for either a new service (such as a new program the non-profit was adding) or for a quantifiable increase in the level of service (such as they are adding a new councilor because of the increase in the number of clients and are asking for more money to cover that salary)
 - Funding Cap. HUD limits the funding of public service category projects to 15% of the annual allocation.
 - Beneficiaries. 51% or more of the beneficiaries must be from a low/mod household.
- Housing Activities
 - Income Eligibility. The family or person receiving direct assistance must provide extensive documentation to show that their annual income does not exceed the income limits.
 - Lead Paint. For housing rehabilitation, each house built before 1978 must be tested for lead paint. The type of remediation required is based on the amount of CDBG funds used in the project.
 - Davis Bacon Act. For rehabilitation projects, if more than 7 houses are included in the program, then the entire project must comply with Davis-Bacon Act requirements (federal wage rate/certified payroll compliance).
 - Relocation Assistance. Tenants (renters) who must move out of a home because it is being sold/acquired in a transaction where CDBG funds are included (1st time

homebuyer program, for example) may be eligible for relocation assistance under the Uniform Relocation Act (URA). Since funding is not available for this, our First Time Homebuyer program does not consider a house to be eligible if it is currently occupied by someone other than the purchaser or homeowner/seller. Voluntary relocation during renovation does not fall under the URA.

- **Clearance Activities**

This category has been used by the City to fund the demolition of unsafe structures. Because substandard structures have a negative effect on surrounding properties, the National Objective usually used for these programs is the Prevention/Elimination of Slum or Blight on a spot basis.

- Vacant/unoccupied structures will be demolished.
- Documentation. The City must be able to objectively document the blighted condition of the property.
- Rehabilitation. Rehabilitation of buildings under this national objective is permitted, but only to the extent necessary to eliminate specific conditions detrimental to public health and safety.

- **Program Administration**

- Program administration costs include staff and related costs required for overall program management, coordination, monitoring, reporting, and evaluation.
 - Funding Cap. HUD limits the funding of program administration costs to 20% of the annual allocation.

How is a person/household/family's annual income determined and documented?

- **Direct benefit.** Usually, to determine whether or not an individual or a family can be considered L/M, we calculate the projected income for the person/family and compare that amount to the current income maximums based on family size.
- **Presumed Clientele.** Income documentation is not required if the service/project is provided exclusively for a clientele that fits one of the "presumed" categories; i.e., abused children, elderly persons, battered spouses, homeless persons, adults who are severely disabled persons (as defined by Census), illiterate adults, persons living with AIDS, and migrant farm workers. HUD presumes that at least 51% of the people who fall into one of these categories are low/mod.
- **Nature and Location.** Documenting the income of each beneficiary may not be necessary if there is adequate documentation describing how the nature and the location of the activity establishes that it will be used predominantly by low/mod persons. For example, a program that is only provided to the residents of public housing would fit this category since only persons who qualify as low/mod are eligible to live in public housing.

When can grant funds be used?

- Funds for the new program year come available after HUD has approved the Action Plan and a contract has been executed between the City and HUD. The program year starts January 1st. This does not necessarily mean money can immediately be spent.
 - No funds may be obligated by a Subrecipient until both the City and the Subrecipient have executed the Subrecipient Agreement prepared by the City.
 - Every program/project must have an environmental review that is usually completed by an outside planning consultant. The level of review required is based on the project's possible impact on the natural environment.
 - No funds can be obligated until the environmental clearance is complete, and if

necessary, a Release has been issued by HUD.

- Obligating funds occurs when a contract is executed or the expenditure of funds is otherwise authorized or made necessary.
- CDBG funds cannot be added to an already existing contract that was signed before the environmental review is completed.
- CDBG funds cannot be used to pay for the purchase of an item that was ordered before the completion of the environmental review and/or subrecipient agreement execution.