

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) ENTITLEMENT COMMUNITIES PROGRAM

Summary:

CDBG provides eligible metropolitan cities and urban counties (called "entitlement communities") with annual direct grants that they can use to revitalize neighborhoods, expand affordable housing and economic opportunities, and/or improve community facilities and services, principally to benefit low- and moderate-income persons.

Purpose:

Since 1974 CDBG has been the backbone of improvement efforts in many communities, providing a flexible source of annual grant funds for local governments nationwide—funds that they, with the participation of local citizens, can devote to the activities that best serve their own particular development priorities, provided that these projects either (1) benefit low- and moderate-income persons; (2) prevent or eliminate slums or blight; or (3) meet other urgent community development needs. The CDBG Entitlement Communities program provides this Federal assistance to almost 1000 of the largest localities in the country.

As one of the Nation's largest Federal grant programs, the impact of CDBG-funded projects can be seen in the housing stock, the business environment, the streets and the public facilities of these entitlement communities. Although the rehabilitation of affordable housing has traditionally been the largest single use of CDBG funds, the program is also an increasingly important catalyst for economic development activities that expand job and business opportunities for lower income persons and neighborhoods.

Type of Assistance:

Each year, the grant funds available for entitlement communities are allocated according to relative need on the basis of the higher of two formulas. The first considers the presence of overcrowded housing in the locality, its population, and poverty rate. The second uses housing age, population growth lag, and poverty rate.

Eligible Grantees:

Recipients of CDBG entitlement funds include local governments with 50,000 or more residents, other local governments designated as central cities of metropolitan areas, and urban counties with populations of at least 200,000 (excluding the population of entitled cities). Local governments may carry out all activities themselves or award some or all of the funds to private or public nonprofit organizations as well as for-profit entities. A separate component of CDBG—the State CDBG Program—provides program funds to the States, which they allocate among localities that do not qualify as entitlement communities.

Eligible Customers:

Low- and moderate-income persons (generally defined as members of a family earning no more than 80 percent of the area median income) benefit most directly and most often from CDBG-funded activities. Grantees must use at least 70 percent of CDBG

funds for activities that principally benefit low- and moderate-income persons. This includes activities where either the majority of direct beneficiaries (from the jobs created, for example, or the housing units rehabilitated) are low- or moderate-income persons and activities that serve an area generally (a new community center, for example, or sidewalk repairs) where the majority of the residents of that service area are low- and moderate-income persons.

Eligible Activities:

Grantees may use CDBG funds for activities that include (but are not limited to):

- Acquiring real property (primarily land, buildings, and other permanent improvements to the property) for public purposes. This type of activity might include, for example, buying abandoned houses for rehabilitation or an old industrial site in a distressed neighborhood for redevelopment. CDBG also helps communities demolish property and clear sites to prepare the land for other uses.
- Reconstructing or rehabilitating housing and other property. From homeless shelters to single-family homes and from playgrounds to shopping centers, CDBG enables communities to improve properties that have become less usable, whether due to age, neglect, natural disaster, or changing needs. New construction of housing is allowed only in certain circumstances.
- Building public facilities and improvements, such as streets, sidewalks, sewers, water systems, community and senior citizen centers and recreational facilities.
- Helping people prepare for and obtain employment through education and job training, welfare-to-work activities, and other services.
- Assisting for-profit businesses for special economic development activities. Such projects might include microenterprise loans to low-income entrepreneurs, assembling land to attract new industry, or business expansion loans to help retain existing businesses that employ low-income workers.
- Providing public services for youths, seniors, or the disabled. These might include day care centers, youth services and meals on wheels for the elderly, health care facilities, transportation, or counseling.
- Carrying out crime reduction initiatives such as establishing neighborhood watch programs, providing extra police patrols, rehabilitating or constructing police substations, and clearing abandoned buildings used for illegal activities.
- Assisting low-income homebuyers directly through, for example, downpayment assistance, subsidizing interest rates or helping with closing costs for first-time buyers.
- Enforcing local building codes to reverse housing deterioration and other signs of blight.
- Paying for planning and administrative expenses, such as costs related to developing a Consolidated Plan and managing CDBG funds.

Application:

To receive its annual CDBG entitlement grant, a recipient must have an approved Consolidated Plan, which fulfills the application and reporting requirements for entitlement communities and contains an action plan describing how the jurisdiction will use its CDBG funds.