



CITY OF HANFORD

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM

2024-2026

Application Handbook

Questions Regarding the Application Process, Contact:

**City of Hanford
Community Development Department
317 N. Douty Street
Hanford, CA 93230**



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A. Background

The Community Development Block Grant (CDBG) Program is a U.S. Department of Housing and Urban Development (HUD) program that provides funds annually to all entitlement jurisdictions. CDBG funds are used for community development and affordable housing activities that benefit low- and moderate-income (LMI) households and persons with special needs. The City of Hanford is committed to advancing equity through neighborhood investment in vulnerable parts of the City.

B. Notice of Funding Availability

The City is expecting to receive around \$521,703 per fiscal year in CDBG funds from the U.S. Department of Housing and Urban Development (HUD). These funds will be utilized to address the City's priority housing and community development needs. All activities that are eligible and meet the program services needs and targets will be taken into consideration. **With an estimated yearly budget of \$521,703, the City of Hanford projects approximately \$78,000 (15%) for public services.**

Through this Notice of Funding Availability (NOFA), the City is seeking proposals for eligible public service activities to be funded with CDBG in FY2024-25 (FY24) and FY2025-26 (FY25). All proposed activities and projects must address the goals and objectives as stated in the City's FY2024-2028 Consolidated Plan.

This NOFA provides essential information on the funding process, funds available, eligible activities, review and selection process, and the federal requirements associated with this funding. Please take the time to carefully review the information contained in this NOFA before completing the application for funding to ensure that your proposal meets program eligibility requirements.

C. Tentative Process Timeline

Event	Date
CDBG NOFA and application released	January-February
Notice of Intent Deadline	February 20, 2024, 5 p.m.
Staff Application Review	March 11-31, 2024
City Council – Public Meeting – Study Session	April 2, 2024
Action Plan DRAFT for Public Review and Comment	April 6 – May 6, 2024
City Council Public Hearing	May 7, 2024
Final Action Plan to HUD	May 17, 2024
Contract award	As soon as HUD approves the City’s funding application
Activity commencement	
Note: Award timeline is dependent on HUD’s approval of CDBG- funds for the City of Hanford. All dates are approximate and subject to change.	

D. Project Eligibility and Program Requirements

D.1. Overview

The CDBG funds have significant compliance, documentation, and reporting requirements. CDBG subrecipients share a joint responsibility with the City to ensure all federal requirements are met. Some requirements may extend years beyond completion of the project.

The City of Hanford, Community Development Department Housing strongly recommend potential applicants review [Playing by the Rules: A Handbook for CDBG Subrecipients on Administrative Systems](#) for detailed reporting and compliance requirements.

D.2. National Objectives

The CDBG program provides grants and loans to implement a variety of community and economic development activities. The purpose of the program is to provide decent housing and a suitable living environment for low- to moderate-income individuals and families. All projects are required to meet at least one of the following national objectives:

1. **Primarily benefit low- or moderate-income persons or households**. Low- or moderate- income (LMI) refers to those earning less than 80% area median income. This is the most common qualifier. Documentation of the benefit to low/moderate income level persons is required of every project funded under this objective. Activities meeting this national objective fit into one of two types:
 - a. **Limited clientele activities** – A limited clientele activity benefits a specific sector of the community, rather than all the residents in a particular area, of which at least 51% must be LMI persons. To qualify for this category, the activity must meet one of the following criteria:
 - i. Collect information from all participants about family size and income through intake forms to demonstrate that at least 51% of clientele do not exceed the LMI limits.
 - ii. Exclusively benefit clientele HUD has presumed are principally LMI, including abused and neglected children, seniors, persons with disabilities, persons experiencing homelessness, domestic violence survivors, illiterate adults, persons living with HIV/AIDS, and migrant farm workers. Note that the presumption of LMI may be challenged if there is evidence the activity is not principally serving LMI persons.

- b. Area benefit activities – An area benefit activity, which benefit all residents within a defined geographic area (area benefit), can meet the low/moderate income benefit requirement if the area contains a minimum of 51% low- or moderate- income residents, as calculated by HUD. HUD maintains an [online map application](#) containing income data by Census Tract Block Group.
2. **Aid in the elimination of slum or blight conditions**. HUD has strict guidelines to define these conditions. A project rarely meets this national objective. Please contact HCDS staff to determine if your project is eligible under this national objective.
3. **Meet an urgent community need**. This objective is only used in the case of recent serious natural disasters (e.g., earthquake, flooding, etcetera.) and only when no other funding sources are available.

Projects that cannot demonstrate that at least one national objective will be met are not eligible for CDBG funding and will not be considered.

D.3. Eligible Populations

CDBG primarily serves low- to moderate-income individuals and households. Projects must serve at least 51% of individuals under 80% Area Median Income (AMI). Projects that serve the public or a community (such as a street improvement or park), must demonstrate that the surrounding area beneficiaries are income eligible. Projects that serve a limited clientele must collect income data from participants, typically through an intake form, to ensure they are income eligible. Income limits are shown within the table HUD Median Income Limits for Kings County.

HUD Median Income Limits for Kings County

Effective June 15, 2023

Household Number	1	2	3	4	5	6	7	8
"30%" Limit Extremely Low	17,350	19,800	22,300	24,750	26,750	28,750	30,700	32,700
"50%" Limit Very Low	28,900	33,000	37,150	41,250	44,550	47,850	51,150	54,450
"80%" Limit Moderate	46,200	52,800	59,400	65,950	71,250	76,550	81,800	87,100

Some groups of special populations, such as persons experiencing homelessness, abused/neglected children, and individuals with a disability, are also considered eligible under the low- to moderate-income national objective.

D.4. Eligible Activities

Eligible activities under CDBG federal standards include community development, public and social services, economic development, and housing activities. However, the City of Hanford primarily funds public services and community development activities through this application. Eligible activities include:

1. **Public Facilities and Improvements** – Construction, rehabilitation, or installation of public improvements or facilities. Improvements may be made to facilities traditionally owned by government, such as parks and sidewalks, or to those owned by non-profits that operate for the public. Facilities for the general conduct of government, such as government offices, are not eligible.
2. **Public Services** – Labor, supplies, and material to operate public services and their facilities. Public services include employment and job development services, childcare, health services, fair housing counseling, senior citizen services, homeless services, and youth enrichment services. Please note this is a non-exhaustive list of examples. Public services are limited to 15% of the total annual grant allocation.
3. **Economic Development** – Creation or retainment of permanent jobs for LMI populations, commercial/industrial improvements in LMI areas, or job training and technical assistance. These activities have significant documentation/reporting requirements and must meet the [federal public benefit standard](#).

A full discussion of eligible activities can be found on [HUD's website](#).

- 1) Any service contracts existing prior to CDBG award are ineligible for reimbursement, unless there is proof that federal/local procurement requirements were followed within the last three years.
- 2) Public service projects must provide a new service or expansion of an existing service.

Each proposed CDBG project must:

- (a) Demonstrate compliance with one (1) of the National Objectives; and
- (b) Be an eligible activity consistent with the provisions of CFR Title 24 Part 5704, and
- (c) Be located, primarily conducted, or serving the residents living in the City of Hanford.

D.5. Ineligible Activities

- Building(s) for the General Conduct of Government (unless to remove architectural barriers)
- General Government Expenses
- Political Activities
- Furnishings & Personal Property
- Income Payments (direct cash payments, stipends)
- New Housing Construction (except by Community Based Development Organizations)
- Operating and Maintenance Expenses
- Religious Activities
- Equipment (unless affixed to the facility grounds)

D.6. Eligible Applicants

This NOFA is open to public or private non-profit organizations, City of Hanford departments. Faith-based organizations are allowed to compete for CDBG funds on the same basis as other non-profits; however, funds cannot be used to support worship, religious instruction, or proselytization. Faith-based organizations that participate in the CDBG program shall not discriminate against a program beneficiary based on religion or religious belief. Organizations are strongly discouraged from applying for funds unless they are ready to implement the activity proposed for funding.

D.7 Contract and Implementation Requirements

Agencies that are recommended for CDBG funding must comply with federal regulations. Please keep this in mind when planning your proposal. The criteria are listed below:

1. **Environmental Review** – All projects awarded CDBG funds are subject to an environmental review conducted by the City of Hanford Department of Economic Development and Community Planning. Projects may be subject to CEQA or NEPA reviews, depending on their scope and activities. The level of review will be assessed after a project is recommended.
2. **Audit** – Agencies receiving CDBG funds must submit an independent audit or an A-133 single audit. Any agency expending \$750,000 or more of federal funds must meet all federal audit requirements as outlined in 2 CFR Part 200. If your organization has concerns about this requirement, please contact the Administrative Analyst at (559) 585-4766.
3. **Competitive Procurement** – Any CDBG funds used to purchase goods or services above \$10,000 must use a competitive procurement process. HUD requires procurement processes to receive an adequate number of quotes. Please note the adequate number of quotes is accepted at 3 sources.

4. **Davis-Bacon Federal Labor Standards** – Any construction, rehabilitation, alteration, or repair project costing \$2,000 or more is subject to Davis-Bacon Labor Standards. This requires contractors to pay prevailing federal wage rates and fringe benefits. Additionally, workers must be paid weekly, and certified payrolls must be submitted weekly. All construction work is covered by this provision, regardless of the amount of federal funds applied towards the project. For more information, please consult the U.S. Department of Labor.
5. **Section 3** – Section 3 requirements will apply to projects with more than \$200,000 in funding from housing and community development financial assistance programs. The following is a list of examples of applicable funding:
 - a. Community Development Block Grant (CDBG), CDBG-CV, and Section 108
 - b. HOME Investment Partnership
 - c. Housing Trust Fund (HTF)
 - d. Neighborhood Stabilization Program Grants (NSP 1, 2 & 3)
 - e. Housing Opportunities for Persons with AIDS (HOPWA)
 - f. Emergency Solutions Grants (ESG)
 - g. Lead Hazard Control Grants (\$100,000 threshold)

Section 3 requires economic opportunities be extended to low- and very low- income people, particularly Public Housing or Section 8 residents.

6. **Change of Use Restrictions** – All CDBG-assisted properties must be used for their approved purpose and meet a national objective until five years after expiration of the Subrecipient Agreement.

E. Relevant Federal Statutes

The CDBG program is governed by the Code of Federal Regulations and projects must adhere to all program requirements.

- [24 CFR Part 570 – Community Development Block Grants](#)
- [2 CFR Part 200 – Uniform Administrative Requirements](#)

F. Application Instructions

F.1. Submittal

Applications must be submitted to: slerma@hanford.city, by **5pm on Tuesday, February 20, 2024**. The City will reject incomplete applications.

F.2. Technical Assistance

The City will provide technical assistance to any organization planning to submit a proposal. Additionally, the City will guide if your organization/department is concerned about meeting program or application requirements. To request assistance or for additional language options, contact Housing at (559-585-4766) or by email at: slerma@hanford.city.

G. Evaluation Procedures and Criteria

G.1. Application Process

Application Review Process and Project Evaluation Criteria

Any applications that are submitted after the deadline for submission will not be considered for the funding round that has been advertised.

The application review process involves multiple steps. It begins with a review by staff, followed by a review and recommendations made by the City Council. After this, there is a **30-day public comment period**, followed by City Council approval.

- a. Finally, the application undergoes review and approval by HUD. Staff Review – Applications are reviewed for completeness and then evaluated against applicable HUD regulations, the City's **current** Consolidated Plan, City Council goals and objectives, and another related City policy (e.g., General Plan).

Priority Need	Priority/Level	Goals Addressing
Affordable Housing	High	Affordable Housing
Public Services Public Facilities	High	Community Services
Infrastructure Improvements	Low	Infrastructure Improvements
Youth Services	High	Youth Services
Economic Development	Medium	Economic Development

- a) City Council Review – The first Public Meeting is held to obtain priorities from the City Council regarding the proposed projects city staff submitted projects. After this public hearing/meeting, the Council provides directions to staff regarding the draft of the annual Action Plan. A final formal public hearing is held to review comments received during the 30-day Action Plan comment period and to provide residents one last opportunity to comment on the Action Plan. Council approves Plan by resolution and directs submittal to U.S. Department of Housing and Urban Development (no later than May 15th)

 - b) **Criteria for Decision Making: Applications will be evaluated in the following areas:**
 - 1. HUD rules and regulations
 - 2. City policies
 - 3. Activity characteristics: feasibility, readiness, leveraging, applicant track record.
 - 4. Available funds
-

H General Provisions and Conditions

a) Pre-Contractual Expenses

Pre-contractual expenses are defined as any expense incurred by the proposer in: (1) preparing its proposal in response to this NOFA; (2) submitting that proposal to the City; (3) negotiating with the City any matter related to this NOFA, including a possible contract; or (4) engaging in any other activity prior to the effective award date, if any, of a contract resulting from this NOFA. The City shall not, under any circumstances, be liable for any pre-contractual expenses incurred by the proposer(s), and proposer(s) shall not include any such expense as part of their proposals.

b) Standard Terms and Conditions

Before the award of any work hereunder, City and proposer shall enter into a written Sub-Recipient Agreement or Memorandum of Understanding.

c) System of Award Management (SAM) Clearance

SAM checks are required to ensure that sub-recipients and contractors are not suspended or debarred from working on federally funded projects. Clearance printouts may be obtained at www.sam.gov under search records using an agency's Unique Entity ID (EUI) number. If your agency does not have a UEI number, one may be requested at <https://sam.gov/content/entity-registration>.

I. Contract Terms and Conditions

Sub-Recipient/Inter-Department Agreement

Suppose your proposal is selected and awarded funding. In that case, your organization/department will be required to enter into a sub-recipient agreement with the City of Hanford outlining the terms and conditions of the funding. The sub-recipient agreement is a legally binding contract and failure to adhere to its terms and conditions can result in termination and required repayment of the funding award. The following is a list of a few important requirements of the contract:

1. Operating agencies must maintain the following information for federal reporting and monitoring purposes: the name, address, race, ethnicity, and female head of household status for all clients.
2. Operating agencies shall maintain income documentation to ensure that at least 51% of the program beneficiaries are of low- and moderate-income.
3. Operating agencies must maintain payroll, time, and attendance records signed by the employee and approving supervisor regarding all personnel costs. The program will also keep time distribution records and shall account for actual worked hours daily.
4. Retention of records, including financial, supporting documents, statistical data, and all other records about the use of funds provided under the sub-recipient agreement, must be maintained for five (5) years.
5. The City will conduct periodic program monitoring reviews, focusing on the extent to which federal regulations have implemented the planned project.
6. All non-personnel costs (goods and services) reimbursed by Community Development Block Grant (CDBG) funds are subject to the procurement requirements of 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Costs that do not adhere to the General Procurement Standards will be disallowed. See procurement requirements below.

J. Definitions

J.1. Client Eligibility

CDBG funds are to be directed towards persons who are considered low to moderate-income according to income limits and household size as published annually by the U.S. Department of Housing & Urban Development (HUD). To ensure client eligibility, documentation must be collected and maintained.

J.2. CDBG Outcomes

The CDBG Program must achieve one (1) of the following project outcomes:

- 1) **Availability/Accessibility** applies to activities that make services, infrastructure, public services, public facilities, housing, or shelter available or accessible to LMI people, including persons with disabilities. In this category, accessibility does not refer to only physical barriers, but also to making the basics of daily living available and accessible to LMI people where they live.
- 2) **Affordability** applies to activities that provide affordability in a variety of ways to LMI people. It can include the creation or maintenance of affordable housing, basic infrastructure hook-ups, or services such as transportation or day care. Affordability is an appropriate objective whenever an activity is lowering the cost, improving the quality, or increasing the affordability of a product or service to benefit a low-income household.
- 3) **Sustainability** applies to activities aimed at improving communities or neighborhoods, helping to make them livable or viable by providing benefit to persons of LMI or by removing or eliminating slums or blighted areas, through multiple activities or services that sustain communities or neighborhoods.

J.3. Environmental Review

The environmental review process aims to analyze the effect a proposed project will have on the people and the natural environment within a designated project area and the effect the material and social environment may have on a project. Work cannot begin on any project until an environmental review has been completed. The City usually conducts reviews.

J.4. Expanded Service

When an agency requests CDBG funds for an existing program to increase the number of people it serves with expanded services.

J.5. Indirect Costs

Costs incurred for a common or joint purpose benefit more than one cost objective and are not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved.

J.6. Low/Moderate Area Benefit (LMA)

The area benefit category is the most used national objective for activities that benefit a residential neighborhood. An area benefit activity benefits all residents in a particular area (by census tract), where at least 51% of the residents are LMI persons.

J.7. Low/Moderate Clientele (LMC)

Activities in this category benefit a specific group of people rather than everyone in an area. Under this category, 51% of the beneficiaries of an activity must be LMI persons. In contrast to the area benefit category, it is not the LMI concentration of the service area of the activity that determines whether the activity will qualify or not, but rather the actual number of LMI persons that benefit from the activity.

J.8. New Service

When an agency requests the use of CDBG funds to start a new program, it has never been implemented previously.

J.9. Performance Indicator

A performance indicator is how a CDBG-funded program shows its accomplishments, depending on the project activity type. CDBG project have five (5) different indicators to select from: 1) People Assisted; 2) Businesses; 3) Households; 4) Housing Units; and 5) JobsCreated/Retained. Each activity produces a certain number of accomplishments under the designated performance indicator.

J.10. Presumed Groups

Benefit a clientele who are presumed to be principally low and moderate-income people. Presumed benefit clients are abused children, battered spouses, elderly persons (age 62 years or older), adults meeting the census Bureau's Current Population Reports definition of "severely disabled", homeless persons, illiterate adults, persons living with AIDS, and migrant farm workers.

J.11. Procurement

When CDBG funds are used to purchase services, supplies, materials, or equipment federal procurement rules apply. Procurement requirements ensure that all purchases are managed fairly and in a manner that encourages full and open competition.

(See Attachment A)

Among the procurement approaches previously described, the *competitive sealed bid* resulting in a firm, fixed-price contract is the preferred procurement approach for construction when:

- There are two or more responsible and qualified providers (2 CFR 200.320(b)(1)(i)(B)).
- The requirements and specifications are thoroughly detailed (2 CFR 200.320(b)(1)(i)(A)).
- The selection of the successful bidder can be made principally based on price (2 CFR 200.320(b)(1)(i)(c)).

J.12. Professional Services

Professional services must follow federal procurement when using CDBG funds to pay for that service. In addition, a contractor/service contract must be executed prior to any work provided and must include CDBG federal provisions and conditions.

J.13. Qualitative Measures

This type of measurement primarily relies on words as its unit of analysis and its means of understanding.

J.14. Quantitative Measures

This type of measurement relies primarily on numbers as the main unit of analysis.

J.15. Reimbursable Contract

All CDBG agreements are reimbursable contracts. Agencies must provide supporting documentation of costs incurred, and payment of those costs when submitting reimbursement claims to the City of Hanford.

J.16. Site Control Evidence

To perform construction activities, the proposer must provide evidence of site control. This can be provided in the form of a mortgage or property deed that shows ownership of the site or a lease agreement with a term of 5 years or more.

J.17. Unit of Service

The amount/type of service received which demonstrates a client benefit to be counted towards accomplishment goals.

ATTACHMENT A:
Permitted Procurement Approaches

Method	Preferred for	Type of Purchases	Other Requirements/Notes
Micro-purchases (2 CFR 200.320(a)(1))	When your total purchase is less than \$10,000. See 2 CFR 200.1 for the definition of micro-purchase threshold.	For supplies or services.	You must distribute purchases equitably among qualified suppliers (2 CFR 200.320(a)(1)).
Small purchases (2 CFR 200.320(a)(2))	Simple and informal purchasing decisions.	Buying services, supplies, or other property that does not exceed the simplified acquisition threshold ² amount. (currently \$250,000)	You must receive price quotes from several qualified sources. Your procurement of more than \$250,000 over the simplified acquisition threshold may not be broken up into smaller parts solely to qualify for this less complicated process under the “small purchases” approach.
Competitive sealed bids (formal advertisement, 2 CFR 200.320(b)(1))	Firm, fixed-price contract (lump sum or unit price) where the selection is based on price (2 CFR 200.320(b)(1))	Preferred for but not limited to construction services.	Two or more responsible bidders are willing and able to compete (2 CFR 200.320(b)(1)(i)(B)). You must solicit bids from an adequate number of sources and provide sufficient response time. Local and tribal governments must publicly advertise invitations for bids. (2 CFR 200.320(b)(1)(ii)(A)). Your IFB must include complete, accurate, and realistic specifications and clear definitions of items or services needed that are sufficiently detailed for bidders to properly respond, plus any pertinent attachments (2 CFR 200.320(b)(1)(ii)(B)). Bids must be opened publicly at the time and place stated in your IFB (2 CFR 200.320(b)(1)(ii)(C)). If awarded, the contract must be given to the lowest responsive and responsible bidder (you can decide to reject all bids, documenting the reason, along with the reason for rejecting any bids [2 CFR 200.320(b)(1)(ii)(D) and (E)], and retain this documentation in the file.)

Permitted Procurement Approaches

Method	Preferred for:	Type of Purchases	Other Requirements/Notes
Competitive proposals (2 CFR 200.320(b)(2))	A fixed price or cost-reimbursement contract where the award is based upon an evaluation process and not solely on price.	Most professional services, technology systems, software, etcetera.	<p>Used only when conditions are not appropriate for sealed bids. More than one source must be solicited from an adequate number of qualified sources.</p> <p>Your Request for Proposal (RFP) must clearly and accurately state the technical requirements for the goods and services required and be publicized, identifying all evaluation factors with their relative importance (2 CFR 200.320(b)(2)(ii)).</p> <p>You may negotiate with the bidders who are deemed responsive, responsible, and within a competitive price range, based on your evaluation of the bidders' pricing and technical proposals. After negotiations, you may allow these bidders to submit a "best and final" offer.</p> <p>You must award the contract to the responsible offeror whose proposal is most advantageous to your organization, with price and other factors considered (2 CFR 200.320(b)(2)(iii)).</p>
		Architectural/Engineering Services (A/E)	<p>You may use competitive proposal procedures for qualifications-based procurement of A/E professional services; in such cases, you evaluate the firm's qualifications and select the most qualified offeror, subject to negotiation of fair and reasonable compensation. You may use this method, where you do not use price as a selection factor, only in the procurement of A/E professional services. You may not use this method to purchase other types of services through A/E firms that are a potential source to perform the proposed project (see 2 CFR 200.320(b)(2)(iv)).³</p>

The Federal procurement regulations discourage the use of local geographical preferences in the evaluation of bids or proposals (except where mandated by Federal statutes), due to the restrictions on open competition that result. However, in procuring A/E services, you may consider geographic location as long as this criterion leaves an appropriate number of qualified firms ([2 CFR 200.319\(c\)](#)).

Permitted Procurement Approaches			
Method	Preferred for:	Type of Purchases	Other Requirements/Notes
Noncompetitive proposals/ sole source(2 CFR 200.320(c))	Single source. Public emergency or condition.		<p>Noncompetitive negotiations may be used only under limited circumstances when another procurement method is not feasible because:</p> <ul style="list-style-type: none"> • The item or service is only available from a single source. (2 CFR 200.320(c)(2)). • There is a public emergency or condition requiring urgency that cannot be delayed (2 CFR 200.320(c)(3)). • The Federal awarding agency or pass-through entity has authorized noncompetitive proposals upon your written request (2 CFR 200.320(c)(4)). • After solicitation from several sources, competition is determined inadequate. (2 CFR 200.320(c)(5)). <p>For the acquisition of property or services, the aggregate dollar amount cannot exceed the micro-purchase threshold.</p>

ATTACHMENT B: PUBLIC SERVICE ACTIVITIES DEFINED

CHAPTER 7: PUBLIC SERVICES



CHAPTER PURPOSE & CONTENTS

This chapter covers the CDBG-eligible and ineligible public service activities as well as guidance on how to determine the appropriate national objective category for public services, and how to document compliance with the national objective.

SECTION	TOPIC
7.1	Eligible and Ineligible Public Service Activities
7.2	Public Services Cap
7.3	Documenting National Objectives

7.1 Eligible and Ineligible Public Service Activities

This section outlines activities that are eligible and ineligible public services under the CDBG program. The following is a summary of the topics in this section, applicable statutory and regulatory citations, and other reference materials available from HUD.

Key Topics in This Section	✓ Eligible Public Services Activities ✓ Ineligible Activities
Statutory Citations	Section 105(a)(8)
Other Reference Materials on This Topic	✓ Guide to National Objectives and Eligible Activities for States - Chapter 2: Categories of Eligible Activities

7.1.1 **Eligible Public Service Activities**

- ✓ The CDBG regulations allow the use of grant funds for a wide range of public service activities, including, but not limited to:
 - Employment services (e.g., job training).
 - Crime prevention and public safety.
 - Childcare.
 - Health services.
 - Substance abuse services (e.g., counseling and treatment).
 - Fair housing counseling.
 - Education programs.
 - Energy conservation.
 - Services for senior citizens.
 - Services for homeless people.
 - Welfare services (excluding income payments).
 - Down payment assistance (also refer to Chapter 4); and
 - Recreational services.
- ✓ CDBG funds may be used to pay for labor, supplies, and material as well as to operate and/or maintain the portion of a facility in which the public service is located. This includes the lease of a facility, equipment, and other property needed for public service.
- ✓ To utilize CDBG funds for a public service, the service must be either:
 - A new service; or
 - A quantifiable increase in the level of an existing service which has been provided by the state or another entity on its behalf through state or local government funds in the 12 months preceding the submission of the state's Consolidated Plan Annual Action Plan to HUD.
 - An exception to this requirement may be made if HUD determines that any decrease in the level of a service was the result of events not within the control of the local government.
- ✓ This provision was put into place to ensure that localities did not use CDBG funds to replace local or state monies to fund essential services typically offered by the local government entity.
- ✓ Specifically, the public services provision applies in the following manner:
 - If a service is new, it may be funded.
 - If a service exists, determine whether it was provided by or on behalf of the unit of local government with local or state funding.
 - If it was not provided by or on behalf of the local government with funding

from the local government, it may be funded,

- If it was provided by or on behalf of the local government with funding from the local government, states must determine whether the proposed service will be a quantifiable increase in the level of service. If it can be documented that the service is a quantifiable increase in the level of service, it may be funded.
- The regulations do not prohibit a state and UGLG from continuing to provide funding to a CDBG-funded public service at the same or decreased level in subsequent program years.

7.1.2 Ineligible Public Service Activities

- ✓ The provision of “income payments” is an ineligible CDBG activity if these payments are provided as a grant.
 - Income payments are payments to an individual or family, which are used to provide basic services such as food, shelter (including payment for rent, mortgage, and/or utilities) or clothing.
 - However, the entitlement rules, which states may use as guidance, note that such expenditures are eligible under the following conditions:
 - The income payments do not exceed three consecutive months; and
 - The payments are made directly to the provider of such services on behalf of an individual or family.
 - Income payments that are provided as a loan are permissible within the public services cap.
- ✓ Political activities are ineligible.

7.2 Public Services Cap

The following is a summary of the topics in this section, applicable statutory and regulatory citations, and other reference materials available from HUD.

Key Topics in This Section	<ul style="list-style-type: none">✓ The public services cap.✓ Public services cap exceptions
Statutory Citations	
Other Reference Materials on This Topic	<ul style="list-style-type: none">✓ Guide to National Objectives and Eligible Activities for States<ul style="list-style-type: none">- Chapter 2: Categories of Eligible Activities

- ✓ The total amount of CDBG funds **expended** statewide for public services activities must not exceed 15 percent of the state's yearly allocation of funds **plus** 15 percent of program income received distributed by the state under its method of distribution.
 - Note that this cap applies to the entire state allocation not to the amount of funds allocated by the state to any one UGLG.
- ✓ Public services conducted by UGLG subgrantees **are subject to** the 15 percent public services cap.
- ✓ Because the public services category covers numerous important activities but is limited by the 15 percent cap, States and UGLG should make efforts to see if a service type activity meets another CDBG eligibility category. For example, removing graffiti from public buildings is a public service. However, assisting private properties with graffiti removal may be better categorized as eligible property rehabilitation activities.
- ✓ In addition, the CDBG regulations offer flexibility in using CDBG for certain public services, particularly services designed to increase employment opportunities, **outside** of the 15 percent cap. The eligibility options include:
 - Provision of assistance to microenterprises as a separate eligible activity. This includes technical assistance, business support services, and other similar services to owners of microenterprises or persons developing microenterprises.
 - Certain job training and job placement services are an activity delivery cost if provided in connection with eligible economic development projects.
 - Job training, job placement and other employment support services that are conducted by a qualified 105(a)(15) nonprofit development organization as part of certain types of projects, and which are specifically designed to increase economic opportunities including peer support programs, childcare, counseling, transportation, and other similar services; and
 - Any type of services conducted by a qualified 105(a)(15) nonprofit development organization as part of certain types of projects, pursuant to a strategy as part of a state- approved CRSA.
- ✓ Economic development services conducted **in connection with** special economic development activities also do **not** count against the 15 percent cap. These services include:
 - Outreach efforts to market available assistance.
 - Screening of applicants.
 - Reviewing and underwriting applications for assistance.
 - Preparation of all necessary agreements.
 - Management of assisted activities; and
 - Screening/referral/placement of applicants for jobs generated by CDBG-eligible economic development activities, including training for those persons filling positions.



Public Services Cap Calculation Example

CDBG annual allocation amount	\$1,000,000
Plus, distributed program income	+ 100,000
Equals amount subject to cap	\$1,100,000
Multiplied by 15%	x 0.15
Equals maximum funds that can be expended for public	\$165,000 services

7.3 Documenting National Objectives

The following is a summary of the topics in this section, applicable statutory and regulatory citations, and other reference materials available from HUD.

Key Topics in This Section	<ul style="list-style-type: none"> ✓ LMI Benefit National Objective ✓ Slum/Blight National Objective ✓ Urgent Needs National Objective
Statutory Citations	Section 101(c), Section 104(b), Section 105(c)
Other Reference Materials on This Topic	<ul style="list-style-type: none"> ✓ Guide to National Objectives and Eligible Activities for States Chapter 3: Meeting a National Objective

7.3.1 National Objective Summary Chart

- ✓ The following chart summarizes the national objective options related to public services. The text below provides additional details. For a complete copy of the matrix codes and national objectives chart, please see the IDIS chapter of this manual.

7.3.2 Summary Chart

<u>HUD</u> <u>Matrix</u> <u>Code</u>	<u>Activity</u>	<u>LMA</u>	<u>LMC</u>	<u>LMH</u>	<u>LMJ</u>	<u>SBA</u>	<u>SBS</u>	<u>URG</u>
5	Public Services (General)			N	N		N	
05A	Senior Services	N		N	N		N	
05B	Handicapped Services	N		N	N		N	
05C	Legal Services			N	N		N	
05D	Youth Services	N		N	N		N	
05E	Transportation Services			N	N		N	
05F	Substance Abuse Services			N	N		N	
05G	Battered and Abused Spouses	N		N	N		N	
05H	Employment Training			N	N		N	
05I	Crime Awareness			N	N		N	
05J	Fair Housing Activities (Subject to Pub. Services Cap)			N	N		N	
05K	Tenant/Landlord Counseling	N		N	N		N	
05L	Childcare Services	N		N	N		N	
05M	Health Services			N	N		N	
05N	Abused and Neglected Children	N		N	N		N	
05O	Mental Health Services			N	N		N	
05P	Screening for Lead Based Paint/Lead Hazards	N		N	N		N	
05Q	Subsistence Payments	N		N	N		N	
05R	Homeownership Assistance (not direct)	N	N		N		N	
05S	Rental Housing Subsidies	N	N		N		N	
05T	Security Deposits	N	N		N		N	
05U	Housing Counseling	N	N		N	N	N	N

7.3.3 LMI Benefit National Objective

- ✓ CDBG-funded public service activities are typically categorized under the LMI Benefit National Objective as either Area Benefit or Limited Clientele activities. As shown in exhibit 7-1 below, the distinguishing factor between the two categories is whether the service will be offered to **all** residents of a particular LMI income area **or** to a particular group of LMI residents in the entire community.
- ✓ Under the Area Benefit criteria, the public service must be offered to **all** residents of an area where at least 51 percent of the residents are LMI. Must be primarily residential.
- ✓ To document qualification of public service activities under this objective:
 - Maintain records of the boundaries of the service area.
 - Document that the area is primarily residential (e.g., zoning map); and
 - Document the income characteristics of households in the service area (i.e., Census data/American Community Survey data).
- ✓ Limited Clientele activities benefit a specific targeted group of persons of which at least 51 percent must be LMI. To meet the LMI Limited Clientele criteria, the activity must:
 - Serve at least 51 percent LMI, as evidenced by documentation and data concerning beneficiary family size and income.
 - Have income-eligibility requirements which limit the service to persons meeting the LMI income requirement, as evidenced by the administering agency's procedures, intake/application forms, income limits, and other sources of documentation.
 - Serve a group primarily presumed to be LMI such as abused children, battered spouses, elderly persons, adults with disabilities, homeless persons, illiterate adults, persons living with AIDS and migrant farm workers; or
 - Be of such a nature and in a location that it may be concluded that the activity's clientele is LMI.

Exhibit 7-1

Determining if a Public Service Activity Qualifies As an Area Benefit or Limited Clientele Activity

Issue for Consideration	If an Area Benefit Activity...	If a Limited Clientele Activity...
To whom will the service/s be provided?	All residents of a LMI area (i.e., area with at least 51 percent LMI residents)	A limited group of persons, either LMI or presumed to be LMI, regardless of where they live
Where will the service be provided?	In a particular neighborhood	Not specific; could be offered to more than one neighborhood or city- or county-wide.
What is the income levels in the area where the service will be delivered?	At least 51 percent LMI residents in area	Not applicable; eligibility based on clients served (but at least 51% must be LMI)

7.3.4 Slum/Blight National Objective

- ✓ Public service activities that aid in the prevention or elimination of slums or blight in a designated area may qualify under the Slum/Blight National Objective (Area Basis). However, this category is rarely used for public service activities since the activity must meet the following qualifying criteria:
 - The area in which the activity occurs must be designated as slum or blighted. The following tests apply:
 - The delineated area in which the activity occurs must meet the definition of a slum, blighted, deteriorated or deteriorating area under state or local law.
 - The area must also meet either one of the two conditions specified below:
 - At least 25 percent of the properties throughout the area exhibit the following:
 - (a) Physical deterioration of buildings/improvements.
 - (b) Abandonment of properties.
 - (c) Chronic high occupancy turnover rates or chronic high vacancy rates in commercial or industrial buildings.
 - (d) Significant declines in property values or abnormally low property values relative to other areas in the community; or
 - (e) Known or suspected environmental contamination.
 - Public improvements throughout the area are in a general state of deterioration.
 - Documentation must be maintained by the State on the boundaries of the area and the conditions that qualified the area at the time of its designation. The designation of an area as slum or blighted must be re-determined every 10 years for continued qualifications.

7.3.5 Urgent Needs

- ✓ It is possible for public services activities to qualify under this National Objective if the public service is designed to alleviate existing conditions that pose a serious and immediate threat the health or welfare of the community and following conditions are met:
 - The conditions are of recent origin or recently became urgent. A condition will be of recent origin if it developed or became critical within 18 months preceding the state grant recipient's certification – 24 CFR 570.483(d); and
 - The UGLG is unable to secure other funds to support the activity.