

CDBG-DR

Policy Bulletin

Economic Revitalization and Investing in
Disaster-Impacted Communities



November 2022

2022-02

INTRODUCTION:

The U.S. Department of Housing and Urban Development (HUD) allocates Community Development Block Grant disaster recovery (CDBG-DR) funds to address unmet disaster recovery needs through activities authorized under title I of the Housing and Community Development Act of 1974 (42 U.S.C. 5301 et seq.) (HCDA) related to disaster relief, long-term recovery, restoration of infrastructure and housing, economic revitalization, and mitigation in the HUD-identified “most impacted and distressed” areas resulting from a qualifying major disaster. This memo summarizes how CDBG-DR funds can be used to fund tourism-related activities.

All CDBG-DR funded activities must clearly address an impact of the disaster for which funding was allocated and each activity must:

- 1.) Be a CDBG-eligible activity or be eligible under a waiver or alternative requirement in the applicable Federal Register notice(s);
- 2.) Meet a national objective; and
- 3.) Address a direct or indirect impact from the major disaster in a Presidentially-declared county.

Economic Revitalization and Tourism

The tourism sector is a wide-ranging industry that is often interdependent on other aspects of the jurisdiction’s economy (such as housing, infrastructure, and the business community). Local economies are often dependent on both domestic and international travel, and after a disaster, are faced with challenges to stimulate consumer demand and restore traveler confidence that the community is recovering and “open for business.”

Eligible Activities Related to Tourism:

A CDBG-DR grantee has the option, without a waiver or alternative requirement, to provide direct assistance to tourism-dependent businesses and other eligible entities through CDBG-DR eligible activities, including special economic development activities. The table below lists some examples of activities that could provide direct assistance to eligible tourism-dependent entities.

Table 1: Examples of Eligible Activities

Eligible Activity	Examples
1. Direct assistance to: <ul style="list-style-type: none">• A private, for-profit business• Non-profit entity• Community Based Development Organization	Direct assistance to an entity can be awarded as a grant, loan, or loan guarantee. For example: <ul style="list-style-type: none">• Awarding a grant to fund a tourism-dependent nonprofit entity (or private, for-profit) to implement a program that promotes tourism by motivating travel, increasing hotel occupancy, and creating or retaining hospitality-related jobs.• Launching a website to relay information on a disaster-impacted community and its recovery activities. This could

	include posting important community items like a calendar of events, community news and updates, photo galleries, and visitor guides with resources, local businesses, and homeownership assistance programs.
2. Providing job training	<ul style="list-style-type: none"> • Training for hospitality and other tourism-related jobs. • Training to retain hospitality and other tourism-related jobs.
3. Implementing public service activities	<ul style="list-style-type: none"> • Increasing local transportation of road, rail, air, and sea travel. This could be done by providing bus, rail, or ferry passes to increase transportation use. <p>Note: When implementing a public service activity, the service should either be new or demonstrate a quantifiable increase from the existing service. There is also typically a public service cap of up to 15 percent of the total CDBG-DR award.</p>
4. Improving public infrastructure and facilities; or commercial rehabilitation	<ul style="list-style-type: none"> • Repairing roads and bridges. • Repairing water, sewer, or drainage in the disaster impacted area. • Rebuilding a boardwalk. • Repairing the exterior of buildings such as hotels and other disaster-impacted businesses in restaurant, entertainment, and transportation industry
5. Rehabilitation OR New construction of affordable workforce housing	<p>A disaster may have significantly damaged or destroyed the available affordable housing stock in a community, demonstrating a need to:</p> <ul style="list-style-type: none"> • Repair or reconstruct existing affordable housing (i.e. Public Housing Authorities), or • Construct new affordable housing to attract the workforce.

HUD encourages a grantee choosing to implement direct assistance to tourism-dependent businesses and other eligible entities verify all activities are:

- | | |
|--------------|--|
| ✓ Necessary | ✓ Eligible |
| ✓ Reasonable | ✓ Directly or indirectly addressing an impact from the qualifying disaster |
| ✓ Feasible | |

Grantee-Specific Tourism Waivers:

When a grantee's economy is heavily dependent upon tourism and a disaster dramatically affects the tourism industry, the Department has approved grantee-requests to waive 42 U.S.C. 5305(a) to permit a grantee to directly administer tourism activities rather than provide direct assistance to tourism-dependent businesses. Advertising and marketing activities are generally not CDBG-eligible activities. The Department, however, has approved several grantee-specific waivers allowing a CDBG-DR grantee to directly administer tourism activities under unique circumstances to promote a community, encourage travel, and attract new businesses to disaster-impacted areas.

To obtain a waiver to directly administer tourism activities, each grantee provides HUD data demonstrating the extenuating circumstances, necessity of the tourism activities for economic recovery, and that good cause exists. Previously, HUD has provided tourism waivers for up to a specific dollar amount and for an established period of time, limiting the eligibility of the activity to the extent necessary, under HUD’s specified parameters established in the Federal Register. Tourism activities are often a “short-term” recovery activity which is needed immediately after the disaster to establish public awareness that the impacted area is recovering and operational.

Table 2: Previous Grantees Who Received a Tourism Waiver

Grantee	Dollar Threshold
State of New Jersey	\$25,000,000
State of New York	\$30,000,000
State of Colorado	\$500,000
U.S. Virgin Islands	\$25,000,000
Commonwealth of Puerto Rico	\$25,000,000

*The grantees shown in this table received a tourism waiver for a two-year period of time.

The Department often creates additional requirements when a grantee receives a waiver to directly administer tourism activities. For example, a CDBG-DR grantee may be required to:

- Develop metrics to demonstrate the impact of CDBG-DR expenditures on the tourism and other sectors of the economy,
- Coordinate its tourism promotion and marketing activities with its designated Opportunity Zones,
- Demonstrate that CDBG-DR funds will not supplant other funding sources for tourism and business marketing activities, and
- Prohibit elected officials from appearing in tourism or business marketing materials financed with CDBG-DR funds.

Tourism Metrics:

There are several key indicators that can be used to demonstrate the health of a tourism industry. Below are some examples of indicators that can demonstrate how CDBG-DR funds are successfully making an impact to its recovering tourism industry:

- ✓ Rising employment in the hospitality sector
- ✓ Increasing rates of hotel occupancy
- ✓ Advancing sales in entertainment tracked through tickets and passes
- ✓ Promoting website engagement and impressions (including social media posts)
- ✓ Increasing tax revenue
- ✓ Growing transit ridership

ⁱ CDBG-DR Policy Bulletins are guidance documents that are created by HUD staff, but do not create any new requirements. Through this guidance HUD seeks only to clarify existing requirements and provide best practices for grantees receiving CDBG-DR funds.