



CDBG Proposed Rule Overview

In accordance with the HUD Reform Act, this briefing is intended solely to provide an overview of the proposed rule.



HUD's Motivation and Goals

This Proposed Rule enables the Federal government to support economic development through job creation while addressing economic inequities.

This Proposed Rule builds on key Executive Orders issued by President Biden to support the call for a whole-of-government effort to advance racial equity and support underserved communities.

- Executive Order 13985, Advancing Racial Equity and Support for Underserved Communities Through the Federal Government (86 FR 7009)
- Executive Order 14091, Further Advancing Racial Equity and Support for Underserved Communities Through the Federal Government (88 FR 10825)
- Executive Order 14002, Economic Relief Related to the COVID-19 Pandemic (86 FR 7229)

The Proposed Rule supports recipients to create opportunities for the improvement of communities that have been historically underserved.

Proposed Rule's Goals

- Target resources towards communities with the greatest need
- Improve data collection from the CDBG Program to measure effectiveness
- Improve program outcomes
- Address poor performance
- Clarify eligible uses

Overview of Proposed Changes

Economic Development

- Ease and promote economic development in low- and moderate-income communities and support investments in underserved areas

Consolidated Plans and Citizen Participation

- Revise provisions related to requirements for CPD programs, including acceptance of social media use

Timely Performance

- New approach to measuring and reporting on performance that will support larger, transformational construction projects

**Please note this briefing provides an overview.*

There are numerous other changes proposed not reflected in this briefing.



Changes Related to Definitions and National Objectives

Expanded Criteria

Expand definitions and broaden criteria to enable greater use for economic development projects

Simplified Requirements

Presumptive LMI job determinations by eliminating multiple poverty rate thresholds

Recordkeeping requirements for documenting LMI jobs

Expanded Slum and Blight Criteria

Expand regulatory criteria to allow greater flexibility to undertake economic development projects

Economic Development Changes

Mixed-Use Financing

Encourage by allowing recipients greater flexibility in structuring eligible activities



Expands the scope of CDBG-funded activities and aligns program with current community development practice.

Non-monetary Benefits

Allow recipients greater flexibility to demonstrate public benefit



Provides an alternative path to demonstrate an acceptable public benefit aligned with the goals and purposes of the CDBG program.

More flexibilities

Permit pass-through financing for economic development projects via loans to tax credit entities



Streamlines the process to combine CDBG-assisted projects with other forms of financial assistance and Federal tax benefits.

Public Benefit Standards

Eliminate the aggregate standard and increase the amount of the individual standards



Eliminates a disincentive with little observed benefit and makes inflation-based adjustments to the existing standards (adopted in 1995).

Public Benefit Standards (PBS)

Current Individual Activity Standard

- For an activity that creates or retains jobs, the use of CDBG funds cannot exceed \$50,000 per full-time equivalent job or
- For an activity that provides goods or services to residents of an area, the amount of CDBG funds provided for the activity cannot exceed \$1,000 per L/M person served.

Current Aggregate Activity Standard

- Create or retain at least one full-time equivalent, permanent job per \$35,000 of CDBG funds used for all such activities or
- Provide goods or services to residents of an area, such that the number of L/M income persons residing in the area served by the assisted businesses amounts to at least one L/M income person per \$350 of CDBG funds used for all such activities.

Issue with Current Regulation:
creates a disincentive to the use of CDBG funds for economic development



Proposed Change in CDBG Rule

- Removed aggregate standard
- Updated dollar thresholds

Impact of New PBS

It will be easier for grantees to undertake economic development activities to create/retain jobs benefiting LMI.

Consolidated Plan and Citizen Participation Changes

Prioritizing Target Areas with the Greatest Need

- Encourage prioritization of economically distressed areas

Setting and Measuring Neighborhood-level Goals

- Require entitlements to set quantitative, neighborhood-level outcome goals for at least one activity in their Strategic Plan and to measure performance in CAPER

Clarifying the Amendment Process

- Clarify that adding an activity not previously identified in the Consolidated Plan or Action Plan must be considered a substantial amendment in the citizen participation plan

Using New Communication Platforms

- Encourage grantees to use available social media and electronic communication to make citizens and residents aware of availability of consolidated plan for comment
- Expand grantees' options to undertake a multifaceted approach to publication, such as including the grantee's official social media accounts

Timeliness and Grant-based Accounting Changes

Create a new grant-based timeliness review method to encourage larger, transformational construction projects.

- Grantees will be able to maintain fund balances of more than 1.5 times their last CDBG grant and institute quarterly public pace-of-expenditure reports similar to the HOME program's grant-specific reports.

Update closeout regulations.

- This would enable an individual grant's financial account cancellation to occur prior to completion of all funded activities provided performance reporting continues until activity completion.

Establish a time limit by which a grantee must demonstrate a CDBG-assisted activity has met a national objective.

- Timeline would be 6 years from initial drawdown or the period of performance, whichever is shorter.

Timely Performance

Current Regulation

Within 60 days of program year-end, an Entitlement grantee's CDBG fund balance may not exceed 1.5 times the amount of its last annual allocation

Issues with current regulation

- Discourages large-scale, multiyear transformational projects because of need to keep fund balances low each year
- Drives grantees to do shorter-term projects so that they can meet their fund balance cap
- Promotes end-of-year spending sprees, often resulting in less impactful project choices and potentially ineligible expenses

Proposed change in CDBG Rule

- Revise timeliness standard to allow grantees to maintain a fund balance of more than 1.5 times their last CDBG grant
- Institute quarterly public pace-of-expenditure reports to show timeliness as the rate of disbursement of each CDBG grantee
- Evaluate grantee's continuing capacity to carry out a program, and if needed, HUD will provide TA to improve timely performance

Impact of New Timeliness Standard

Grantees will have greater flexibility needed to engage in large-scale, transformative projects, which take multiple years to complete.

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by March 11, 2024**

**Community Development Block Grant Program, Consolidated Plans, and
Indian Community Development Block Grant Program
[Docket No. FR-6148-P-01]**

