



# ***CDBG/CDBG-CV***

***HUD, Office of Block Grant Assistance  
Entitlement Communities Division***



# ECONOMIC DEVELOPMENT



# ELIGIBLE ECONOMIC DEVELOPMENT ACTIVITIES

- Special economic development activities (24 CFR 570.203)
- Microenterprise activities (24 CFR 570.201(o))
- Commercial rehabilitation (24 CFR 570.202(a)(1), (3), & (4))
- Job training (24 CFR 570.201(e))
- Technical assistance to businesses (24 CFR 570.203 (c))
- Community-based development organizations (24 CFR 570.204(a)(2))

# SPECIAL ECONOMIC DEVELOPMENT ACTIVITIES

- Acquire, construct, rehabilitate, reconstruct or install commercial/industrial buildings or equipment (570.203(a))
  - By recipient or subrecipient only
- Assistance to for-profit businesses (570.203(b))
- Economic development services in connection with special economic development activities (570.203(c))

# SPECIAL ECONOMIC DEVELOPMENT (CONT.)

- Special economic development has flexibility in types of assistance to a nonprofit or for-profit businesses
  - Grants
  - Loans
  - Guarantees
  - Technical assistance & support services
- May meet several different national objectives; depends on business & location

# CDBG-CV ECONOMIC DEVELOPMENT

- Assistance to Small For-Profit Businesses
  - To prevent job loss caused by closures related to public health recommendations.
  - To establish or expand businesses to create jobs to provide medical supplies and other goods and services for infectious disease response.
  - To convert manufacturing operations to produce medical supplies and other products for infectious disease response while creating or retaining jobs.
  - Grants, Loans & Loan Guarantees



# CDBG-CV ECONOMIC DEVELOPMENT (CONT.)

- On April 30, 2021, guidance was issued on CDBG-CV approaches with PPR tieback. Additional activities identified here that may address coronavirus include:
  - Providing working capital to enable job creation/retention.
  - Provide grants or loans to support entrepreneurs or existing businesses to acquire, convert, construct, or reconstruct commercial spaces to revitalize communities and local economies affected by business or job losses resulting from the coronavirus.

# CDBG-CV ELIGIBLE ACTIVITIES (CONT.)

- Avoid or reverse job loss (loss of positions or hours worked) caused by business closures related to community mitigation measures (e.g. social distancing, closures, stay-at-home orders) or other job loss and economic disruption resulting from coronavirus by providing working capital assistance to small businesses or entrepreneurs to enable creation and retention of jobs held by low- and moderate-income persons.



# MICROENTERPRISE ASSISTANCE

- Microenterprise defined as:
  - Owners or persons who work toward developing, expanding or stabilizing a business
  - Commercial enterprise with  $\leq 5$  employees (including owner)
- Note: This definition differs from SBA
- May provide assistance as loans, grants and other forms of financial support.

# MICROENTERPRISE ASSISTANCE (CONT.)

- Other support activities eligible:
  - TA, advice, and business services to owners and persons developing microenterprises.
  - General support to owners and persons developing microenterprises such as technical assistance, advice, and business support services, peer support programs, counseling, child care, transportation, and other similar services.

# MICROENTERPRISE ASSISTANCE (CONT.)

- Also, eligible under this activity – funding TA and training to **increase capacity** of recipient/subrecipient to do microenterprise programs
- No limit on amount or type of CDBG loan/grant to each microenterprise
- **Not** subject to public benefit standards
- Owner not required to be LMI, but activities still must meet a national objective

# CDBG-CV MICROENTERPRISE ASSISTANCE

- CDBG-CV funds may be used to establish, stabilize, and expand microenterprises that provide medical, food delivery, cleaning, and other services to support home health and quarantine.
- Assistance may be provided via loans, technical assistance, grants, and other financial assistance.
- Provide technical assistance, grants, loans, and other financial assistance to establish, stabilize, and expand microenterprises to revitalize communities and local economies affected by coronavirus or to prepare for and prevent future outbreaks.

# COMMERCIAL REHABILITATION

- Acquisition, construction, reconstruction, rehabilitation or installation of commercial or industrial buildings, structures, and other real property equipment and improvements. Subject to the public benefit standards.
- If private, for-profit owner:
  - Rehabilitation limited to exterior of building and correction of code violations
  - Other improvements must be carried out under the special economic development category 24 CFR 570.203
  - **Not** subject to public benefit standards.

# JOB TRAINING

- Help unemployed or under-employed persons gain skills to meet labor market demands
- Linked to job placement
- Job training is eligible:
  - As a public service – 24 CFR 570.201(e) (subject to PS cap)
  - As part of special economic development project – 24 CFR 570.203(c) (not subject to PS cap)
  - As part of microenterprise activities – 24 CFR 570.201(o) (not subject to PS cap)

# TECHNICAL ASSISTANCE TO BUSINESSES

- Helps reduce risk of business failure
- Often focused on business plan development or legal and accounting issues
- Often offered in conjunction with financial assistance
- Critical to programs directed to start-ups
  - DUNS # not required for TA

# TECHNICAL ASSISTANCE TO BUSINESSES (CONT.)

- Under CDBG:
  - As part of special economic development
    - Caveat: must meet public benefit
  - As a micro enterprise assistance task
  - Through a CBDO
    - Must also meet public benefit



# COMMUNITY BASED DEVELOPMENT ORGANIZATIONS

- CBDOs may carry out three kinds of projects:
  - Community economic development
  - Neighborhood revitalization
  - Energy conservation
- If job training done through a CBDO, it **does not** count against public services cap
- CBDO economic development activities **DO** trigger public benefit standards

# CBDO ACTIVITIES

- Possible activities include (but are not limited to):
  - New housing construction (can only be carried out by a CBDO)
  - Job training not subject to public service cap
  - Neighborhood Revitalization Strategy Area (NRSA) public services not subject to the public service cap
  - Other economic development activities

# VOLUNTARY\* UNDERWRITING GUIDELINES

Grantees should ensure that:

1. Project costs are reasonable
2. All sources of financing are committed
3. CDBG not substituted for non-federal funds
4. Project is financially feasible
5. Return on investment is reasonable
6. CDBG funds distributed pro-rata

\* Mandatory for assistance to for-profit businesses

# CDBG PUBLIC BENEFIT STANDARDS

- Mandatory for the following activities:
  - Special economic development projects – 24 CFR 570.203
  - CBDO projects, as applicable – 24 CFR 570.204, and
  - Public improvement projects classified under Low/Mod Job Creation/Retention where more than \$10,000/job in CDBG assistance
- Not applicable to microenterprise activities (24 CFR 570.201(o)) or commercial rehabilitation (24 CFR 570.202(a)(3))

# CALCULATING PUBLIC BENEFIT

- Two options for determining benefit:
  - Jobs created or retained
  - Goods or services provided to LMI persons
- Projects must meet individual test
- Entire program must meet aggregate test
- Applied at time of CDBG obligation & assessed upon completion based on actual achievements

# AGGREGATE STANDARDS

- Create or retain at least one full-time-equivalent (FTE) permanent job per \$35,000 of CDBG funds
- OR
- Provide goods and/or services to at least one LMI person per \$350 of CDBG funds

# APPLYING THE AGGREGATE STANDARDS

- Standards apply to all activities obligated in any given CDBG program year
- One or the other standard must be met
  - *Job creation/retention*
  - OR
  - *LMI goods or services*
- Use jobs created/retained standard when assisting a *job-training-only* activity

# INDIVIDUAL STANDARDS

- May not exceed \$50,000 per FTE permanent job created or retained

OR

- May not exceed \$1,000 in expenditure per LMI person to which goods or services are provided



# CDBG-CV PUBLIC BENEFIT STANDARDS

- CDBG-CV Notice waived 24 CFR 570.209(b)(1)&(2).
- CDBG-CV assisted economic development is not subject to aggregate public benefit standards.
- CDBG-CV economic development is subject to the individual public benefit standards (see next slide).

# CDBG-CV PUBLIC BENEFIT STANDARDS (CONT.)

- The individual public benefit standards at 24 CFR 570.209(b)(3) were waived to allow the following:
  - the activity will create or retain at least one FTE equivalent, permanent job per \$85,000 of CDBG funds used; or
  - the activity will provide goods or services to residents of an area such that the number of LMI persons residing in the area served by the assisted businesses amounts to at least one LMI person per \$1,700 of CDBG funds used; or
  - the assistance was provided due to business disruption related to coronavirus (in which case, no monetary standard applies because HUD has determined that there is sufficient public benefit derived from the provision of assistance to stabilize or sustain businesses in the grantee's jurisdiction that suffer disruption due to coronavirus).

# POLL QUESTION 3

Economic development activities assisted with CDBG-CV funds are not subject to the individual public benefit standards.

True

False