

Introduction

In response to the coronavirus pandemic, many Emergency Solutions Grants (ESG) program recipients used Coronavirus Aid, Relief, and Economic Security (CARES) Act coronavirus (ESG-CV) funding to create non-congregate shelter options, temporary emergency shelters, and rapid rehousing and homelessness prevention activities. As ESG-CV funding is rapidly expended, some recipients may be seeking alternative resources to continue funding their program activities. The Community Development Block Grant (CDBG) program—which draws funding from both annual entitlement allocations and supplemental CARES Act (CDBG-CV) funds—is one source that can be used to supplement current ESG-CV funding and to continue activities after ESG-CV funding is expended for activities that are also eligible under the CDBG program.

CDBG funds, whether allocated through a grantee’s formula or CDBG-CV grant, can be used for a wide array of activities, including emergency shelters and many aspects of homelessness prevention and housing stabilization. This brief guide walks through the transition from ESG-CV to CDBG (whether formula or CARES Act) funding, including:

- A summary of how CDBG funding may be used for emergency shelter and homelessness prevention activities, featuring an ESG and CDBG crosswalk.
- Key CDBG program requirements to help ESG recipients begin a strategic discussion with their community development colleagues.
- Instructions for amending a grantee’s Annual Action Plan (AAP) to accommodate program changes.

Program Requirements

CDBG funding can only be used for an eligible CDBG activity identified at Section 105(a) of the Housing and Community Development Act of 1974, as amended, and 24 CFR part 570 and must also meet a national objective. CDBG-CV funding use must also be justified through documentation on how it [prevents, prepares for, and responds](#) to coronavirus.

Yes! CDBG and CDBG-CV funding can be used for emergency shelter, rapid rehousing, and homelessness prevention activities!

Eligible Activities

Emergency Shelters

Acquiring, developing, rehabilitating, and converting buildings to emergency shelters is an eligible CDBG activity under 24 CFR 570.201(c), public facilities and improvements. Public facilities and improvements include publicly accessible facilities such as homeless and emergency shelters that are owned by public entities or nonprofit organizations. These activities generally address the physical costs of improving the facility. In the CDBG program, facilities that provide shelter for persons with special needs, such as the homeless and victims of domestic violence, are considered public facilities and are not subject to the prohibition of new housing construction because these facilities do not provide permanent housing.

With a few exceptions, the creation of new permanent housing is not permitted under the CDBG program. See the [Using CDBG for Public Facilities in Coronavirus Response](#) quick guide for more information about public facilities.

CDBG and CDBG-CV funds can be used to convert temporary emergency shelters acquired or renovated with ESG-CV funds into permanent emergency shelters.

Grantees may also use CDBG to support both **shelter operations and essential services** provided within the facility. Eligible shelter operation costs include staff, utilities, maintenance, and insurance. Flexibilities in the CDBG program allow CDBG funding to support a wide range of essential services for persons experiencing homelessness. Unlike ESG essential services, CDBG does not require services to be provided only to persons residing in a shelter. CDBG may allow an individual to continue accessing services when they leave the shelter if 51 percent of the total recipients of that service are low- and moderate-income (LMI).

Both operations and essential services are considered public services under [24 CFR 570.201\(e\)](#). Public services are “capped” at 15 percent per grant for formula CDBG funds, but the CARES Act waived the public service cap for CDBG-CV funds and formula CDBG funds for grant years 2019 and 2020 that are used to prevent, prepare for, or respond to the coronavirus.

Rapid Rehousing and Homelessness Prevention

CDBG may be a useful resource to fill gaps or supplement rapid rehousing and homelessness prevention initiatives. In most cases, the CDBG activity type is the same regardless of whether it is for rapid rehousing or homelessness prevention.

CDBG funds can be used for **emergency grant payments** for current and unpaid rent and utilities on behalf of an individual or family. Although normally limited to three consecutive months, emergency assistance can continue up to six consecutive months when using CDBG-CV funds and FY2019 and FY2020 formula CDBG funds that prevent, prepare for, or respond to coronavirus.¹ CDBG assistance is provided only once for income-eligible households.

Provided that a national objective is met, CDBG funds can be spent on legal and other counseling services (as defined at 24 CFR 5.100) for the prevention of homelessness, such as legal representation of tenants facing eviction, walk-in legal counseling, and resolution of landlord/tenant matters. CDBG can also fund foreclosure mitigation activities, which are not ESG-eligible. Eligible foreclosure mitigation may consist of housing counseling where the counselor works with the mortgagee to prevent foreclosure or emergency grant payments as described above. However, the grantee must evaluate each request for assistance on a case-by-case basis to determine if it would be reasonable to use CDBG or CDBG-CV funds to make emergency grant payments for mortgages. Emergency grant payments may be made for rent, mortgage, or utilities. This assistance must be necessary and reasonable in accordance with 2 CFR 200.403 and 200.404.

These homelessness prevention activities are subject to the public services cap for formula CDBG funds that do not prevent, prepare for, or respond to the coronavirus (see above).

ESG-CV to CDBG-CV Homelessness Crosswalk

Many emergency shelter, rapid rehousing, and homelessness prevention activities that are eligible under the ESG program are also eligible under CDBG. The table on the following page illustrates how ESG components and activity types match with CDBG-eligible activities.

¹ See Section III.B.5.(f)(i) of the August 7, 2020, Notice of Program Rules, Waivers, and Alternative Requirements Under the CARES Act for Community Development Block Grant Program Coronavirus Response Grants, Fiscal Year 2019 and 2020 Community Development Block Grants, and for Other Formula Programs regarding the use of CDBG-CV funds for emergency payments.

ESG Component	ESG Activity Type	Comparable CDBG-Eligible Activity
Emergency Shelter § 576.102 Temporary Emergency Shelter Notice CPD-21-08	Renovation, Including Major Rehabilitation and Conversion <i>Eligible costs</i> include labor, materials, and tools. *Acquisition is also permitted for temporary emergency shelter	Homeless Facilities (not operating costs) 24 CFR 570.201(c) / MC 03C ² Activities include the acquisition, construction, and conversion of buildings or rehabilitation of temporary shelters and transitional housing for the homeless.
	Shelter Operations <i>Eligible costs</i> include maintenance, rent, security, fuel, equipment, insurance, utilities, food, furnishings, supplies necessary for shelter operation, and hotel/motel vouchers.	Operating Costs of Public Facilities (e.g., Homeless Shelters) 24 CFR 570.201(e) + 24 CFR 570.207(b)(2); 24 CFR 570.482(c)(2) / MC 03T Operation and maintenance costs for public facilities where public services are carried out. Examples are utilities, maintenance, and insurance.
	Essential Services <i>Eligible costs</i> include case management, childcare, education services, employment assistance and job training, outpatient health services, legal services, life skills training, mental health services, substance abuse treatment services, transportation, and services for special populations.	Public Services/Supportive Services 24 CFR 570.201(e) + 24 CFR 570.482(c)(2)) / MC 05 series Public services including legal, transportation, childcare, health, counseling, and employment training. Note: Case management in and of itself is not CDBG-eligible.
Rapid Rehousing § 576.104 Homelessness Prevention § 576.103	Rental Assistance³ <i>Eligible costs</i> include short-term and medium-term rental assistance and rental arrears.	Subsistence Payments 24 CFR 570.207(b)(4) + 24 CFR 570.482(c)(2) / MC 05Q One-time or short-term (no more than three months) ⁴ emergency grant payments made directly to service providers on behalf of individuals or families, generally for the purpose of preventing homelessness. Examples include utility payments to prevent cutoff of service, rent/mortgage payments to prevent eviction, or under CDBG-CV-only payments to hotels/motels on behalf of homeless persons to prevent the spread of coronavirus. Tenant/Landlord Counseling 24 CFR 570.201(e) + 24 CFR 570.482(c)(2)) / MC 05K Counseling to help prevent or settle disputes between tenants and landlords. Housing Information and Referral Services 24 CFR 570.201(e) + 24 CFR 570.482(c)(2) / MC 05X Housing information, education, and referral services or general budget/financial counseling (non-homebuyer)
	Housing Relocation and Stabilization—Financial Assistance <i>Eligible costs</i> include rental application fees, security deposits, last month’s rent, utility deposits, utility payments, and moving costs.	
	Housing Relocation and Stabilization—Services <i>Eligible services</i> include housing search and placement, housing stability case management, landlord-tenant mediation, and tenant legal services.	

National Objectives

All CDBG-funded activities must meet one of three national objectives: benefiting LMI persons, preventing or eliminating slums or blight, or meeting the urgent needs threatening public health or safety. Homelessness activities typically qualify under the benefit to LMI persons national objective using the limited clientele basis, which requires grantees to document that 51 percent or more of the persons they serve are LMI.

² MC = Matrix Code (CDBG). See [CDBG Integrated Disbursement and Information System \(IDIS\) Guide Appendices A-C](#).

³ ESG-CV waived the maximum amount of rental assistance and services costs (24 months within three years). See [CPD Notice 21-08](#).

⁴ CDBG-CV/FY2019–2020 Waiver for up to a period of six months’ total assistance.

Activities Serving Individuals Experiencing Homelessness

Homeless persons, as defined in [24 CFR 91.5](#), who are receiving benefits are “presumed” to be LMI, and so fit into the “presumed benefits” category. Therefore, an activity designed to exclusively serve homeless persons will meet the LMI-limited clientele national objective without needing to document income. Persons living in shelters or on the street meet the presumption of being LMI. Self-certification is allowable for individuals and families who are homeless but should be verifiable (e.g., through HMIS). Generally, ESG eligibility documentation on homelessness status will suffice for CDBG public services documentation of eligibility.

Activities Serving Individuals at Risk of Homelessness

CDBG does not consider persons *at risk of homelessness*, on the other hand, to be in a presumed benefit class. One way to document that a CDBG-funded activity meets the national objective of benefit to LMI persons using the limited clientele basis is by verifying that all persons receiving a particular benefit are LMI. For ESG-funded homelessness prevention eligibility, households considered at risk of homelessness must have an annual income below 30 percent of the median family income for the area (or very low income for those assisted with ESG-CV funds). Persons at risk of being homeless must be income-qualified based on projected income at the time assistance is provided rather than over the past 12 months. (*However, per [24 CFR 5.609](#), if past income is a better indicator of future income, then past income history could be used.*) CDBG allows verifiable income self-certifications ([24 CFR 570.506\(b\)](#)) for public service activities but with limits when there is a direct financial benefit.

Tieback to Coronavirus

The CARES Act Program Rules and Waivers include requirements for grantees to document how projects *prevent, prepare for, and respond* to coronavirus.

Both [CDBG-CV](#) (including formula CDBG funds for which public service waivers were received) and [ESG-CV](#) have “tieback” requirements. If transitioning a project from ESG-CV funding to CDBG-CV funding, grantees should review their ESG-CV documentation to ensure that the tieback to coronavirus still exists and to supplement and update the documentation to ensure compliance. Increasingly, grantees are focused on creating or enhancing shelters or other projects that will mitigate the impact of potential future coronavirus variants or other infectious diseases.

Duplication of Benefits

Grantees must have documented policies and procedures for preventing the duplication of benefits when using ESG-CV and CDBG-CV funds. Duplication of benefits occurs when federal financial assistance is provided to a person or entity through a program to address losses resulting from a federally declared emergency or disaster, and the person or entity receives or would receive financial assistance for the same costs from any other source, and the total amount received exceeds the need for those total costs. See the Duplication of Benefits Resource pages for [CDBG-CV](#) and [ESG-CV](#) for more information.

Amending the Annual Action Plan

A shift in the use of funds described in a grantee’s AAP will require an amendment to the plan. If the use of CDBG-CV funds plays a role similar to that of ESG-CV funds, there are necessary citizen participation requirements, applicable waivers to the process, and several best practices for the citizen participation plan (CPP).

When considering a change to the use of any funds in your Consolidated Plan or AAP, you should ask yourself the following questions:

- Is this program change considered a substantial amendment based on how a substantial amendment is defined in my CPP? For CDBG and CDBG-CV, any change in the use of funds from one activity to another is considered a substantial amendment.
- What actions do I need to take before I can officially make the change?

Amendments

Specifically, a jurisdiction must amend its approved plan if any of the following decisions described in [24 CFR 91.505](#) are made:

- A change in allocation priorities or a change in the method of distribution of funds.
- Carrying out an activity using funds from a program covered in the Consolidated Plan or AAP and not previously described in the AAP.
- A change in the purpose, scope, location, or beneficiaries of an activity.

Depending on how a grantee has defined a “substantial amendment” in its CPP, the above changes may constitute a substantial amendment. In the instance that a grantee identified these items as substantial amendments in their CPPs, any of these changes will require citizen review and comment. There is some flexibility in how a grantee defines a *substantial* amendment in its plan (see § 91.105 (c) and the CPP Best Practices section below).

Citizen Participation Plan

The CPP is your roadmap to the amendment process for your Consolidated Plan and AAP. It will define what constitutes a substantial amendment (see [§ 91.105 \(c\)](#) and [§ 91.115\(c\)](#)). For CDBG, a change in the use of CDBG funds from one eligible activity to another is always considered a substantial amendment.

If an amendment is not substantial, then you may proceed with a program change without a citizen participation process. Always consult your own CPP for what specific actions you must take when making an amendment.

CDBG-CV CPP Waiver and Flexibility

The [CARES Act](#) includes several waivers and flexibilities for citizen participation in the use of CDBG-CV funds. The main variations are:

- The CARES Act permits a public comment period of no fewer than five days when citizen participation is required.
- The CARES Act permits grantees to develop expedited citizen participation procedures and to hold virtual public hearings when necessary for public health reasons.
- You may adopt and use this expedited amendment procedure to amend a Consolidated Plan and/or 2019 or 2020 AAP for CDBG-CV and FY2019 and FY2020 CDBG grants regardless of their use of funds. This expedited procedure must be described in your latest CPP.

Grantees should consider other practices that may further expand access to citizen participation such as:

- Creating materials in the appropriate languages.
- Performing direct outreach to communities in which the activities described in the AAP will take place.
- Educating the community on the Consolidated Plan and AAP process as well as on the purposes and possibilities of funds described in the AAP.

After the Citizen Participation Process

Upon completing the citizen participation process based on the type of amendment required, the grantee should proceed to make the changes in IDIS.

- If the CDBG-CV funds can reasonably be placed within an existing project, update the project in IDIS to include the scope and funding amount within the AP-35 projects screen of the AAP where all your CDBG-CV funds are located.
- If the use of the CDBG-CV funds cannot fit under an existing project in the AAP where all your CDBG-CV funds are located, create a new project where you will describe the scope of the project and the amount of funding.

To complete the amendment to the AAP, see the [Amending a Consolidated Plan & Annual Action Plan](#) quick guide. If your jurisdiction is part of a HOME Consortium, see the *Amending a Consolidated Plan & Annual Action Plan for Consortia Grantees*.

Remember: You will be required to report on the use of these funds. In line with best practices for the Consolidated Annual Performance Evaluation Report (CAPER), it is best to have the project associated with a single goal in the AAP.

CPP Best Practices

While the CPP should be clear for program staff, it should be particularly clear for the community. Some best practices to help achieve this clarity are:

- Be specific in defining the threshold for a substantial amendment.
 - Part 91 describes one criterion for a substantial amendment; however, grantees are provided some flexibility to refine the threshold. For example, considering the criteria of “change of allocation priorities,” a grantee may specify whether a certain percentage of funds moved from one priority to another would constitute a substantial amendment.
- Use [plain language](#) with the community as the audience when developing your CPP.
 - Describe the planning process, amendment timelines, and adoption procedures that will allow residents impacted by HUD funds to provide meaningful input.
 - When publicizing an amendment, a summary of proposed changes is more effective than reposting an entire AAP or Consolidated Plan.
- Provide direct links to web pages where planning documents and amendments will be located.

Environmental Review Requirements

There are two primary aspects to keep in mind when considering a shift in CDBG-CV funds and how it may impact the environmental review process:

- ERs are still required for activities directly related to a public health emergency such as coronavirus. HUD CPD Notice 20-07 describes requirements and flexibilities in detail.
- If an environmental review was already conducted, revisit the environmental review record to determine whether it needs to be reevaluated under 24 CFR 58.47.

More resources, including Office of Environment and Energy (OEE) updates, Section 106 information, and guidance on submitting environmental review-related forms during the coronavirus pandemic, are provided on the [OEE Guidance in Response to COVID-19](#) webpage.