

The Community Development Block Grant (CDBG) Program

Established in 1974, the Community Development Block Grant (CDBG) is one of the longest running programs under the U.S. Department of Housing and Urban Development (HUD). The program attempts to establish and maintain viable urban communities through improvements to housing, the diversification of communities, and the improvement of services to low and moderate income individuals.

Funding and Administration

CDBG is funded and administered as part of the Office of Community Planning and Development, an office of HUD. Funding is split into two geographic categories. "Entitlement communities," defined as larger cities and urban counties, receive 70% of CDBG funding. The remaining 30% is allocated to states, and distributed to smaller towns, often referred to as "non-entitlement communities." In Illinois, CDBG is referred to as the Community Development Assistance Program (CDAP), and is administered by the Department of Commerce and Economic Opportunity (DCEO). In order to receive federal funding for the program, DCEO must formulate community development objectives, allocate federal funds to non-entitlement areas, and ensure accountability among non-entitlement communities. Neither HUD nor DCEO

70% of the CDBG money is directed to large cities and urban counties, while 30% goes to states.

distributes CDBG funds directly to private organizations. Instead, grants are made to units of local government, which then use a competitive process to allocate funds to community-based organizations (CBOs).

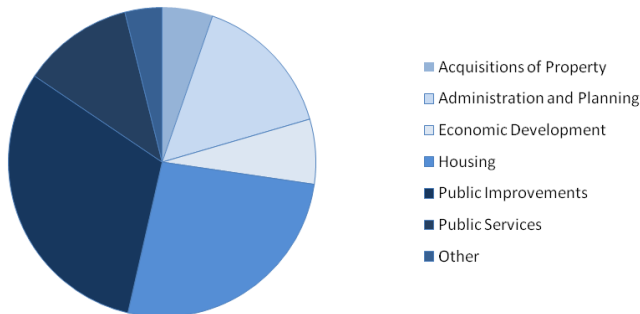
Program Components

CDBG has the reputation of being a very flexible source of economic and community development funding for communities of all sizes and development needs. CBOs can use CDBG funding to build houses for the elderly, infirm, and indigent, to conduct planning projects, and to provide technical assistance that will build capacity of the nonprofit or create jobs for low and moderate income individuals.

Community Eligibility

Entitlement Communities: Entitlement community status is conferred upon a village, town, city, or county by the Federal Office of Management and Budget (OMB). To qualify for entitlement community status, cities must have more than 50,000 residents and counties must have populations larger than 200,000, excluding entitlement cities within the county. Grants to entitlement communities usually last for one to three years and are awarded based on two formulas. The formula that results in the larger allocation is used to determine an entitlement community's allocation. One formula is based on the *extent of poverty*, the *extent of housing overcrowding*, and the *population of the community*. The other is based on the *number of housing units constructed before 1939*, the *growth lag* of the community compared with that of other communities, and the *poverty rate* in the city, compared to the rest of the nation. In both formulas, poverty is given the most weight. Illinois is home to 47 entitlement communities, including 10 villages, 2 towns, 8 counties, and 27 cities.

CDBG FY '10 National Expenditures by Category



Public Services includes employment training, but nationally in FY '10 only 0.73% of CDBG dollars were dedicated to this part of the program.

Non-entitlement Communities: HUD allocates non-entitlement funding to states on a formula basis, but states distribute the funding to localities through a competitive process. States can distribute these funds to any non-entitlement, non-Indian tribes. Illinois uses a competitive process for awarding non-entitlement CDBG funds to small cities. The Department of Commerce and Economic Opportunity considers project need, the ability of the applicant to carry out the project, the proposed activities, and past performance when determining grant allocations.

Illinois requires that programs in non-entitlement communities strengthen "economic development through the creation of jobs, stimulation of private investment, and strengthening of the tax base;"¹ alleviate economic distress; improve public infrastructure; or conserve and expand the housing stock of the state.

Organizational Eligibility

In order to be eligible for funding, a state, county, city, town, or village must submit a comprehensive planning document and application to HUD. CBOs then apply, according to procedure, with their local unit of government. Both CBOs and for-profit corporations are eligible for CDBG funding for economic development causes.

For more information contact the Chicago Jobs Council at (312) 252-0460 or visit us at <http://www.cjc.net>