

# State Community Development Block Grants (Small Cities CDBG)

January 2004

The Community Development Block Grant (CDBG) program, created in 1974, provides funds for housing and for other community development purposes. Funds are divided into two categories. Most rural areas apply for CDBG funds from the State CDBG program, administered by a state government agency. (Hawaii is the only state that has chosen not to administer its own program, so HUD administers the State CDBG program there.) The second pool of funds is distributed by formula to "entitlement" jurisdictions, which are generally cities with populations of 50,000 or more and counties with populations of 200,000 or more.

## PROGRAM BASICS

The State CDBG program's purpose is to develop smaller communities by providing decent housing, a suitable living environment, and economic opportunities principally for low- or moderate-income people. States must ensure that over a time period they select (not more than three years) at least 70 percent of their CDBG funds are used for activities that benefit low- and moderate-income persons. This general objective is achieved by granting "maximum feasible priority" to activities that benefit low- and moderate-income families or aid in the prevention or elimination of slums or blight. Under unique circumstances, states may also use their funds to meet urgent community development needs. A need is considered urgent if it poses a serious and immediate threat to the health or welfare of the community.

## ELIGIBLE ACTIVITIES

Under the CDBG program, units of general local government with populations over 50,000 (and counties over 200,000) are usually "entitled" to an annual grant. Units of local government (including counties) with populations of 50,000 or less (200,000 or less for counties) are eligible to compete within their respective states for non-entitlement (State/Small Cities) CDBG funds.

Community organizations cannot apply for CDBG funds directly, but local grantees may fund community and economic development activities by neighborhood-based nonprofit organizations if these activities fit the program's objectives and requirements.

## PROJECT REQUIREMENTS

States fund local governments through a competitive process or on a formula basis. Although awards are made annually, it is not unusual for a single purpose or a comprehensive CDBG project/program to take more than 12 months to complete, depending on the activities undertaken. Demands for grants far exceed the available funds.

Applications are ranked according to national standards as well as state criteria to ensure that grants are fairly and equitably awarded. Applicants are funded based on the final ranking of the application, to the extent funds are available. Rating factors vary from state to state but may include absolute number and percent of persons in poverty, impact of the proposed program, and past performance in meeting national objectives in housing and equal opportunity.

States design and implement their own programs. Generally, State CDBG grants can be used for some rural housing development activities, including site clearance and rehabilitation of housing and of public or private buildings. Grants can also be used to provide "direct assistance to facilitate and expand homeownership among persons of low and moderate income."

In addition, CDBG funds can be used to acquire, construct, reconstruct, or install water and sewer facilities, sewage treatment works, and other such facilities. These funds can also pay for administrative costs such as planning and related activities, data gathering, surveys, detailed architectural or engineering studies, and administrative activities such as budgeting and proposal writing.

Any Indian tribe, band, group, or nation composed of Alaskan Indians, Aleuts, or Eskimos, and any Alaskan Native Village that is eligible for the Indian Self-Determination and Education Assistance Act, is eligible for CDBG assistance. Applicants to the Indian CDBG program should apply directly to their HUD field office. This variation of the program was not affected by the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA), which consolidated many Indian Housing programs.

**Rural Housing and  
Economic Development Gateway**  
1-877-RURAL-26 (1-877-787-2526)  
[www.hud.gov/ruralgateway/](http://www.hud.gov/ruralgateway/)  
**U.S. Dept of Housing & Urban Development**  
451 7th Street, S.W., Room 7137  
Washington, DC 20410

## FOR MORE INFORMATION

The CDBG program is described on HUD's web site at <http://www.hud.gov/offices/cpd/communitydevelopment/programs/cdbg.cfm>. For additional information, contact your local or state administering agency, a local HUD field office (see [www.hud.gov/local](http://www.hud.gov/local)), or HUD's Office of Block Grant Assistance, Community Planning and Development, in Washington, D.C. at 202-708-1322. HUD's American Communities Information Center also provides information on the CDBG program at 800-998-9999.