

ELIGIBLE CDBG ACTIVITIES
EXCERPTS FROM CODE OF FEDERAL REGULATIONS

570.200 General policies.

(a) *Determination of eligibility*

An activity may be assisted in whole or in part with CDBG funds only if the activity is in compliance with one of the following National Objectives:

1. benefit to low and moderate income families; or
2. aid in the prevention or elimination of slums or blight; or
3. other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available to meet such needs.

CDBG recipients must ensure that not less than 70 percent of the CDBG fund expenditures shall be for activities benefiting low and moderate income persons.

(j) *Constitutional prohibition.* CDBG assistance may not be used for religious activities or provided to primarily religious entities for any activities, including secular activities.

570.201 Basic eligible activities.

CDBG funds may be used for the following activities:

- (a) *Acquisition* of real property for a public purpose.
- (b) *Disposition.* Disposition, through sale, lease, donation, or otherwise, of any real property acquired with CDBG funds.
- (c) *Public facilities and improvements.* Acquisition, construction, reconstruction, rehabilitation or installation of public facilities and improvements, including removal of architectural barriers that restrict the mobility and accessibility of elderly or severely disabled persons.
- (d) *Clearance activities.* Clearance, demolition, and removal of buildings and improvements.
- (e) *Public Services.* provision of public services (including labor, supplies, and materials) which are directed toward improving the community's public services and facilities, including but not limited to those concerned with employment, crime prevention, child care, recreational needs. (The amount of CDBG funds used for public services shall not exceed 15 percent of each grant)
- (i) *Relocation.* Relocation payments and other assistance for permanently and temporarily relocated individuals, families, businesses, nonprofit organizations, and farm operations.
- (l) *Privately owned utilities.* CDBG funds may be used to acquire, construct, reconstruct, rehabilitate, or install the distribution lines and facilities of privately owned utilities, including the placing underground of new or existing distribution facilities and lines.
- (m) *Construction of housing.*
- (n) *Homeownership assistance.*
- (o) *Economic development.*
 - (1) The provision of assistance either through the recipient directly or through public and private organizations, agencies, and other subrecipients to facilitate economic development by:
 - (i) Providing credit, including but not limited to, grants, loans, loan guarantees, and other forms of financial support, for the establishment, stabilization, and expansion of micro enterprises.
 - (ii) Providing technical assistance, advice, and business support services to owners of micro enterprises and persons developing micro enterprises.

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- (iii) Providing general support, including, but not limited to, peer support programs, counseling, child care, transportation, and other similar services, to owners of micro-enterprises and persons developing micro-enterprises.
- (p) *Technical assistance.* Provision of technical assistance to public or nonprofit entities to increase the capacity of such entities to carry out eligible neighborhood revitalization or economic development activities.
- (q) *Assistance to institutions of higher education.* To carry out eligible activities.

570.202 Eligible rehabilitation and preservation activities.

- (a) *Types of buildings and improvements eligible for rehabilitation assistance.* CDBG funds may be used to finance the rehabilitation of:
 - (1) Privately owned buildings and improvements for residential purposes;
 - (2) Low-income public housing and other publicly owned residential buildings and improvements;
 - (3) Publicly or privately owned commercial or industrial buildings, limited to improvements to the exterior of the building and the correction of code violations.
 - (4) Nonprofit owned nonresidential buildings and improvements not eligible under 570.201(c).
 - (5) Manufactured housing
- (b) *Types of assistance.* CDBG funds may be used to finance the following types of rehabilitation activities, and related costs, either singly, or in combination, through the use of grants, loans, loan guarantees, interest supplements, or other means for buildings and improvements described in paragraph (a) of this section, except that rehabilitation of commercial or industrial buildings is limited as described in paragraph (a)(3) of this section.
 - (1) Assistance to private individuals and entities, including profit making and nonprofit organizations, to acquire for the purpose of rehabilitation, and to rehabilitate properties, for use or resale for residential purposes;
 - (2) Labor, materials, and other costs of rehabilitation of properties, including repair directed toward an accumulation of deferred maintenance, replacement of principal fixtures and components of existing structures, installation of security devices, including smoke detectors and dead bolt locks, and renovation through alterations, additions to, or enhancement of existing structures, which may be undertaken singly, or in combination;
 - (3) Loans for refinancing existing indebtedness secured by a property being with CDBG funds if such financing is determined by the recipient to be necessary or appropriate to achieve the locality's community development objectives;
 - (4) Improvements to increase the efficient use of energy in structures through such means as installation of storm windows and doors, siding, wall and attic insulation, and conversion, modification, or replacement of heating and cooling equipment, including the use of solar energy equipment;
 - (5) Improvements to increase the efficient use of water through such means as water savings faucets and shower heads and repair of water leaks;
 - (6) Connection of residential structures to water distribution lines or local sewer collection lines;
 - (7) For rehabilitation carried out with CDBG funds, costs of:
 - (i) Initial homeowner warranty premiums;

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- (ii) Hazard insurance premiums, except where assistance is provided in the form of a grant; and
 - (iii) Flood insurance premiums for properties covered by the Flood Disaster Protection Act of 1973, pursuant to 570.608
- (8) Costs of acquiring tools to be lent to owners, tenants, and others who will use such tools to carry out rehabilitation
- (9) Rehabilitation services, such as rehabilitation counseling, energy auditing, preparation of work specifications, loan processing, inspections, etc.
- (10) Assistance for the rehab. of housing under section 17 of the U.S. Housing Act of 1937;
- (11) Improvements designed to remove material and architectural barriers that restrict mobility and accessibility of elderly or severely disabled persons to buildings and improvements eligible for assistance under paragraph (a) of this section.
- (c) *Code Enforcement.* Code enforcement in deteriorating or deteriorated areas where such enforcement together with public improvements, rehabilitation, and services to be provided, may be expected to arrest the decline of the area.
- (d) *Historic preservation.* CDBG funds may be used for rehabilitation, preservation or restoration of historic properties, whether publicly or privately owned. Historic properties are those sites or structures that are either listed in or eligible to be listed in the National Register of Historic Places, listed in a State of local inventory of historic places, or designated as a State of local landmark or historic district by appropriate law or ordinance. Historic preservation, however, is not authorized for buildings for the general conduct of government.
- (e) *Renovation of closed buildings.* CDBG funds may be used to renovate closed buildings, such as closed school buildings, for use as an eligible public facility or to rehabilitate such buildings for housing.
- (f) *Lead-based paint hazard evaluation and reduction.*

570.203 Special economic development activities.

A recipient may use CDBG funds for special economic development activities in addition to other activities authorized in this subpart which may be carried out as part of an economic development project. Special activities authorized under this section do not include assistance for the construction of new housing. Special economic development activities include:

- (a) The acquisition, construction, reconstruction, rehabilitation or installation of commercial or industrial buildings, structures, and other real property equipment and improvements, including railroad spurs or similar extensions. Such activities may be carried out by the recipient or public or private nonprofit recipients.
- (b) The provision of assistance to a private for-profit business, including, but not limited to, grants, loans, guarantees, interest supplements, technical assistance, and other forms of support, for any activity where the assistance is appropriate to carry out an economic development project, excluding those described as ineligible in 570.207 (a). In selecting businesses to assist under this authority, the recipient shall minimize, to the extent practicable, displacement of existing businesses and jobs in neighborhoods.
- (c) Economic development services in connection with activities eligible under this section.

570.204 Special activities by certain subrecipients.

- (a) *Eligible activities.* The recipient may provide CDBG funds (e.g., grant or loan) to any of the three types of subrecipients specified in paragraph (c) of this section to carry out a neighborhood revitalization, community economic development, or energy conservation project. Such a project may include activities listed as

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eligible under this subpart, and activities not otherwise listed as eligible under this subpart, except those described as ineligible in 570.207 (a), when the recipient determines that such activities are necessary or appropriate to achieve its community development objectives. Notwithstanding that such recipients may carry out activities as part of such project that are not otherwise eligible under this subpart, this provision does not authorize:

- (1) Provision of public services that do not meet the requirements of 570. 201 (e) (1) and (2);
 - (2) Provision of assistance to a for-profit business that does not comply with the requirements of 570.203 (b);
 - (3) Carrying out activities that would otherwise be eligible under 570.200 (g).
- (b) *Recipient responsibilities.* Recipients are responsible for ensuring that CDBG funds are used by the subrecipients in a manner consistent with the requirements of this part and other applicable Federal, State, or local law. Recipients are also responsible for carrying out the environmental review and clearance responsibilities.
- (c) *Eligible subrecipients.* The following are subrecipients authorized to receive assistance under this section.
- (1) Neighborhood-based nonprofit organizations. A neighborhood based nonprofit organization is an association or corporation, duly organized to promote undertake community development activities on a not-for-profit basis within a neighborhood. An organization is considered to be neighborhood-based if the majority of either its membership, clientele, or governing body are residents of the neighborhood is defined as:
 - (i) A geographical location within the jurisdiction of a unit of general local government (but not the entire jurisdiction) designated in comprehensive plans, ordinances, or other local documents as neighborhood, village, or similar geographical designation;
 - (ii) The entire jurisdiction of a unit of general local government which is under 25,000 population; or
 - (iii) A neighborhood, village, or similar geographical designation in a New Community as defined in 570.403 (a) (1).
 - (2) Section 301 (d) Small Business Investment Companies. A Section 301 (d) Small Business Investment Company is an entity organized pursuant to section 301 (d) of the Small Business Investment Act of 1958 (15 U.S.C. 681 (d)), including those which are profit making.
 - (3) Local development corporations. A local development corporation is:
 - (i) An entity organized pursuant to Title VII of the Headstart, Economic Opportunity, and Community Partnership Act of 1974 (42 U.S.C. 2981) or the Community Economic Development Act of 1981 (42 U.S.C. 9801 et seq.);
 - (ii) An entity eligible for assistance under section 502 or 503 of the Small Business Investment Act of 1958 (15 U.S.C. 696)
 - (iii) Other entities incorporated under State or local law whose membership is representative of the area of operation of entity (including non-resident owners of businesses in the area) and which are similar in purpose, function, and scope to those specified in paragraph (c) (3) (I) or (ii) of this section; or
 - (iv) A State development entity eligible for assistance under section 501 of the Small Business Investment Act of 1958 (15 U.S.C.695).

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570.205 Eligible planning, urban environment designs and policy-planning-management-capacity building activities.

- (a) Planning activities which consist of all costs of data gathering, studies, analysis, and preparation of plans and the identification of actions that will implement such plans, including, but not limited to:
 - (1) Comprehensive plans;
 - (2) Community development plans;
 - (3) Functional plans, in area such as:
 - (i) Housing, including the development of a housing assistance plan;
 - (ii) Land use and urban environmental design;
 - (iii) Economic development;
 - (iv) Open space and recreation;
 - (v) Energy use and conservation;
 - (vi) Floodplain and wetlands management;
 - (vii) Transportation;
 - (viii) Utilities; and
 - (ix) Historic preservation.
 - (4) Other plans and studies such as:
 - (i) Small area and neighborhood plans;
 - (ii) Capital improvements programs;
 - (iii) Individual project plans;
 - (iv) The reasonable costs of general environmental, urban environmental design and historic preservation studies;
 - (v) Strategies and action programs to implement plans, including the development of codes, ordinances and regulation;
 - (vi) Support of clearinghouse functions; and
 - (vii) Analysis of impediments to fair housing choice.
- (6) Policy-planning-management-capacity building activities which will enable the recipient to:
 - (1) Determine it needs;
 - (2) Set long-term goals and shout-term objectives, including those related to urban environmental design;
 - (3) Devise programs and activities to meet these goals and objectives;
 - (4) Evaluate the progress of such programs and activities in accomplishing these goals and objectives; and
 - (5) carry out management, coordination and monitoring of activities necessary for effective planning implementation, but excluding the costs necessary to implement such plans.

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570.207 Ineligible activities.

- (a) The following activities may not be assisted with CDBG funds:
 - (1) *Buildings or portions thereof, used for the general conduct of government*
 - (2) *General government expenses.*
 - (3) *Political activities.*
- (b) The following activities may not be assisted with CDBG funds unless authorized under provisions of 570.203.
 - (1) *Purchase of equipment.*
 - (i) Construction equipment.
 - (ii) Fire protection equipment.
 - (iii) Furnishing and personal property.
 - (2) *Operating and maintenance expenses.*
 - (i) Maintenance and repair of streets, parks, playgrounds, water and sewer facilities, neighborhood facilities, senior centers, centers for the handicapped, parking and similar public facilities.
 - (ii) Payment of salaries for staff, utility costs and similar expenses necessary for the operation of public works and facilities.
 - (3) *New housing construction.* CDBG funds may not be used for the construction of new permanent residential structures of for any program to subsidize or assist such new construction.
 - (4) *Income Payments.* The general rule is that CDBG funds shall not be used for income payments for housing or any other purpose.

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