

STATE OF WASHINGTON
DEPARTMENT OF COMMERCE
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DATE: October 18, 2010

POLICY: State Community Development Block Grant funding of projects benefiting both non-entitlement and entitlement area residents

BACKGROUND:

States may not distribute state CDBG funds for uses that provide more than an incidental benefit to residents of CDBG entitlement areas. HUD's 2006 Policy Memo discourages state funding of projects located in entitlement areas.

The state will consider funding projects benefiting both non-entitlement and entitlement area residents only if the following conditions are clearly met and documented in an application to demonstrate the need and appropriateness of state CDBG funding.

Residency - At least 51% of the project beneficiaries must be documented as being full-time residents of non-entitlement areas. Either residency surveys conducted within the last 12 months of past beneficiaries or current population data on both entitlement and non-entitlement service area populations must be submitted, and the applicant must commit to collecting and tracking residency data on beneficiaries to ensure this requirement is met for at least 10 years;

National Objective - At least 51% of the project beneficiaries from the entitlement area and at least 51% of the project beneficiaries from the non-entitlement area must be low- and moderate-income (LMI);

Priority Project - The non-entitlement applicant must document the project is a high priority and how it support local housing and community development needs in accordance with HCDA Section 106(d)(2)(D), and describe the advantages for investing in a facility/services that benefit both entitlement and non-entitlement areas;

Ownership - The project must be owned by the non-entitlement jurisdiction applicant or the project subrecipient;

Operation - The project may be operated by the non-entitlement jurisdiction, entitlement jurisdiction, or subrecipient as appropriate and agreed to by all parties;

Proportion of Investment - The investment of state CDBG funds cannot exceed the proportion of full-time beneficiaries from the non-entitlement area. Other eligible funding sources must cover the proportion of full-time beneficiaries from the entitlement area(s);

Funding Sources -

- To ensure state CDBG funds are only used to fill a financing gap and no more than the proportion of non-entitlement beneficiaries, other funding for the project must be secured from funding sources established to serve entitlement area residents. If the project is located in an entitlement jurisdiction, the entitlement jurisdiction's CDBG program should be partially funding the project;
- Funding sources eligible to meet these conditions are limited to the project and do not include past funding of preliminary studies or facilities/services, funding for operation costs, or funding of future project phases; and
- The state CDBG program determines whether or not the source and proportion of other funding sources are acceptable.

10-Year Rule - The project must principally serve LMI non-entitlement area residents for at least 10 years. If applicable, the non-entitlement grant recipient must establish a Subrecipient Agreement to ensure that the project will principally serve LMI non-entitlement area residents for at least 10 years.