

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF FINANCIAL ASSISTANCE
FEDERAL PROGRAMS BRANCH**



Community Development Block Grant (CDBG) Program

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CDBG
Community Development Block Grant Program

MANAGEMENT MEMORANDUM
Memorandum Number 12-01

DATE: January 4, 2012

TO: Non-Entitlement Jurisdictions Eligible for the State Community Development Block Grant (CDBG) Program

FROM: Thomas Brandeberry, CDBG Section Chief

SUBJECT: Spending Non-Entitlement Funds in Entitlement Areas

The purpose of this Management Memo is to make clear HUD's guidance on spending non-entitlement funds in an entitlement area or jurisdiction.

It has come to the attention of the Department that some non-entitlement jurisdictions have been operating on joint agreement platforms for sharing non-entitlement funds in entitlement areas. This practice is not in compliance with Federal Regulations – 24 CFR 570.486.

Federal CDBG Regulations for Non-Entitlement CDBG programs, under 570.486 (Local government requirements) state:

*(b) Activities serving beneficiaries outside the jurisdiction of the unit of general local government. CDBG-funded activities may serve beneficiaries outside the jurisdiction of the unit of general local government that receives the grant, provided the unit of general local government determines that the activity is meeting its needs in accordance with section **106(d)(2)(D) of the Act.** (Emphasis added)*

106(d)(2)(D) specifically relates to, and only to, non-entitlement areas.

Further, some jurisdictions have cited 24 CFR 570.309 as authorization to spend funds in Entitlement Areas. **This is not correct.** This section of the Federal Regulations applies to Entitlement Jurisdictions only. The Federal Regulations for State's CDBG Program (Non-Entitlement programs) begins with 24 CFR 570.480

HUD Guidance

HUD put out guidance on this subject on May 6, 2006, due to many States' inquiring about this topic. The guidance states, in part:

MANAGEMENT MEMORANDUM NO. 12-01

January 4, 2012

Page 2

"The appropriation from HUD to the States is intended for use benefitting non-entitlement jurisdictions' residents."

Therefore, HUD specifically called out in the guidance that entitlement jurisdictions' residents may benefit only "incidentally" from non-entitlement funds.

California HCD CDBG Policy

Going forward the Department will require:

- Each jurisdiction to clearly define their service area and location of beneficiaries within the context of:
 - An Application for Grant Funding; and/or,
 - A Request for PI Waiver Application; and/or,
 - In their Program Income Reuse Plan for Revolving Loan Accounts.
- The Department will not approve any funding for projects located inside an Entitlement Jurisdiction, regardless of agreements made between the Grantee and any Entitlement Jurisdictions.
- The Department will review, on a case-by-case basis, any services that are located or included in a service area within an Entitlement Jurisdiction. However, the Department will adhere to the federal standard of Entitlement residents benefitting only incidentally from the Non-Entitlement funds.