

Commonwealth of Virginia Community Development Block Grant (CDBG)

Program Design Manual



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Division of Community Development and Housing

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Chapter 1 – Introduction

The Virginia Community Development Block Grant (CDBG) Program provides funding to local governments to address critical community development needs, including housing, infrastructure, and economic development. This Program has been administered by the Virginia Department of Housing and Community Development (DHCD) since 1982. CDBG funds are made available to DHCD by the U.S. Department of Housing and Urban Development (HUD).

Pursuant to the provisions of the Housing and Community Development Act of 1974 (the CDBG enabling legislation), DHCD has prepared this Program Design Manual to include a final statement of Virginia's community development objectives, its proposed use of funds, its method of fund distribution to local governments, and to present the core CDBG elements for the Virginia Consolidated Plan and Annual Action Plan.

DHCD contact information is as follows:

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DHCD reserves the right to amend any portion of the Program Design Manual which is impacted by any Federal regulations that become effective subsequent to its publication, or as a response to unforeseen circumstances that inhibit livelihoods or ways of doing business.

Chapter 2 – CDBG Funding Eligibility

The following section describes the minimum eligibility criteria for a Project to be awarded for CDBG funding. Please note, Applications received which do not meet the below criteria may not be considered for an award and may not be scored during DHCD's Application review.

2.1 Eligible Applicants

Non-entitlement units of local government are the only eligible recipients of Virginia CDBG funding. These local governments may contract with Planning District Commissions (PDCs), non-profit organizations, and other competent entities to undertake project activities. Please see [Appendix A – Virginia CDBG Eligible Localities](#) for a list of all CDBG eligible localities.

Applicants that are participating in any project receiving CDBG funding are required to send or ensure participation of all responsible parties (in most cases, this is the locality grants administrator) to the annual Grant Management Workshop. Applicants may either pay for the full costs of this training or include this item as an administrative activity in the project budget.

2.11 DHCD Discretion

Prior to the award of any CDBG funds, a review of all open CDBG projects will be conducted. In instances where project performance (capacity and/or financial) issues have been identified, DHCD may withhold new CDBG awards until these deficiencies are corrected or opt to not consider the application for funding in the present cycle.

DHCD reserves the right to cancel additional contracts due to non-performance on initial contracts.

A locality is expected to be the applicant when the majority of benefits occur within that jurisdiction's boundaries. At least 65% of CDBG awarded funds must be expended in the locality that is applying for assistance. Projects that cannot meet this threshold may designate a lead locality and apply jointly for a regional project.

2.2 Eligible Activities

All activities listed as eligible in the CDBG regulations per [24 CFR Part 570, Subpart C](#) are eligible for funding under the Virginia CDBG Program.

CDBG funds cannot be used to rehabilitate Section 8 or tax credit properties.

2.3 CDBG National Objectives

The CDBG Program was established by the *Housing and Community Development Act of 1974*. In accordance with Section 104(b)(3) of the Act, the use of CDBG funding must:

1. Give maximum feasible priority to activities which will benefit low- and moderate-income (LMI) families;
2. Aid in the prevention or elimination of slums and blight;

3. Address other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the community (referred to hereafter as Urgent Need).

The Virginia CDBG Program makes funding available to local governments for planning and implementation of community development projects in non-entitlement localities, which are those localities not receiving CDBG assistance directly from HUD. Each project and activity utilizing CDBG funding must meet a National Objective. Projects may contain activities which meet different National Objectives.

Projects that do not meet at least one of the three National Objectives shown above will not be considered for funding. The application for funding must clearly demonstrate how the identified National Objective(s) will be met.

The three CDBG National Objectives are further defined as follows:

1) Activities benefiting low- and moderate-income persons

Individuals or households whose household income is equal to or less than 80 percent of the area median income (AMI) for like-sized households are determined to be LMI. No project will receive funding which benefits moderate-income persons (80 percent AMI) to the exclusion of low-income persons (50 percent AMI or less).

Activities benefiting LMI persons must meet one of the following tests:

- Benefits are available to all of the residents in a particular area, wherein at least 51 percent of the residents are LMI;
- At least 51 percent of the benefits are provided to LMI persons;
- Benefits will be provided to a clientele presumed to be principally LMI persons; or,
- If jobs are created or retained in a project, at least 51 percent of the permanent, full time equivalent jobs must be shown to be held by or made available to LMI persons.

In the case of a project providing relevant, direct outcome-based services, the following classes of people are presumed LMI, according to HUD:

- Abused children;
- Battered spouses;
- Elderly persons;
- Severely disabled persons (persons meeting the Bureau of Census' definition);
- Homeless persons;
- Illiterate adults.
- Persons with AIDS; and
- Migrant farm workers;

2) Activities which aid in the prevention or elimination of slums or blight

An activity will be considered to address prevention or elimination of slums and blight in an area if:

- The delineated area meets a definition of a slum, blighted, or deteriorated or deteriorating area and is formally designated a slum or blighted area in accordance with State law. In Virginia, this definition and procedure for designation is available in [Title 36, Article 7](#) of the *Code of Virginia*; and,
- Throughout the area, there is a substantial number of deteriorated or deteriorating buildings, or the public improvements are in a general state of deterioration; and,
- The activity addresses one or more of the conditions which contributed to the deterioration.

Prevention or Elimination of Slums or Blight National Objective for CDBG projects that include Property Acquisition or Clearance:

If CDBG funds are used for acquisition or clearance to remove conditions of blight (assuming the property meets that definition through documentation), then this is considered to be the initial use of the property. Any subsequent or redevelopment use of the property/vacant land is considered to be a “change of use” under [24 CFR 570.505](#). HUD regulations pursuant to [24 CFR 570.505](#) require that the “end use” of the property should also meet a National Objective, “the new use of such property qualifies as meeting of the National Objectives in [§570.208](#) (formerly §570.901) and not a building for the general conduct of business”. The “end use” of the property or vacant land must meet one of the remaining two Broad National Objectives: (1) Activities benefiting LMI persons or (2) Urgent Need. Most often the “end use” will need to meet the Broad National Objective activities benefiting LMI persons. The redevelopment/reuse plan for the building/vacant lot must be a CDBG eligible activity designed to benefit LMI persons (i.e. a community service facility, economic development, etc.). Blight removed as an activity of housing rehabilitation or comprehensive community development projects, such as the removal of blighted residential structures, must also conform to the above regulations.

3) Activities designed to meet community needs having a documented urgency

An activity will be considered to address this objective if the following conditions are met:

- There exists a current declaration of emergency by the Governor of Virginia or a declaration of a severe health threat by the State Health Commissioner.
- The activity is designed to alleviate existing conditions which pose a serious and immediate threat to the health or welfare of the community;
- The conditions are of recent origin or recently became urgent. ‘Recent’ is defined as within the preceding 18 months; and
- The locality is unable to finance the project on its own and no other funding is available to address the problem.

Chapter 3 – Applications for CDBG Funding

3.1 CDBG Application Requirements

The following policies and provisions are required of any application for CDBG funding unless otherwise stated.

3.11 Citizen Participation Requirements

All applicants must provide citizens an adequate opportunity to participate in the development of applications for CDBG assistance. Notwithstanding important, ongoing, informal organizational efforts, each applicant for funding must hold two public hearings to notify citizens of details of its past use of CDBG funding and of the activities, level of funding, and level of benefit targeted by its current application. These two public hearings must occur prior to submission of a CDBG Grant application. Additional requirements are detailed in the Virginia CDBG Citizen Participation Plan for Local Government Applicants which is included as [Appendix B – CDBG Citizen Participation](#).

Survey Guidance

HUD has released guidance for applicants to follow when conducting income surveys. This guidance includes an overview of the types of acceptable surveying methods, recommendations for improving research techniques, procedures for conducting random sample surveys, and a review of acceptable rates of return for surveys. *This guidance is available on the [HUD website](#).*

3.12 Planning District Commission Review

Local governments must comply with the *Code of Virginia §15.2-4213*. This section of the Regional Cooperation Act requires that Planning District Commissions (PDCs) be notified by local governments of applications for state or federal aid. As this notification is for informational purposes only, it may take many forms during the pursuit of CDBG assistance.

3.13 Prioritization

Localities submitting Planning Grants and CDBG Project Grant applications must first develop a methodology to prioritize the highest community development needs within the locality. It is expected that CDBG Grant applications will include activities that address items that are among the locality's highest identified community development needs.

3.2 Application Review

3.21 Scoring Criteria

Applications for CDBG funding are scored on a one hundred (100) point scale, and Projects must score sixty (60) points or higher to be qualified for funding.

Scoring criteria are as follows:

- Need (40 points)
 - o The Applicant demonstrates through narrative responses and information in attachments that the Project fills a critical need in the geographic area.

- Capacity (30 points)
 - o The Applicant demonstrates through narrative responses, information in attachments, and grant history that the Project Management Team and associated staff has the necessary skills and expertise to successfully complete the proposed Project.
- Approach (30 points)
 - o The Applicant demonstrates through narrative responses and information in attachments that the Project is likely to come to timely completion and the proposed methodology aligns with best practices.

Leverage

In scoring an Application for CDBG funding, DHCD evaluates the Project's approach with consideration for the percentage of funding leveraged from other sources.

- **Local match** (actual or in-kind), which generally originates from an applicant locality, for design and construction activities and some supporting activities may be counted if expended on or after July 1 of the penultimate calendar year to Application submission (ex. July 1, 2023, for a 2025 Application).
- **Non-local match** for design and construction activities may be counted if expended on or after July 1 of the calendar year preceding the Application submission (ex. July 1, 2024, for a 2025 Application).

3.22 Scoring Process

DHCD staff will rank all qualified Applications based on score. The highest scoring Applications from each round will receive offers of funding from DHCD, up to the amount requested in the Application as available based on per-project caps and the open-contract limit for individual grantees. These offers are preliminary awards and are contingent upon the Applicant meeting certain requirements as outlined in the Program Design Manual and in the source-specific letter of award offer.

DHCD reserves the right to retain any funds offered during an application cycle or program year as unallocated, and such unallocated funds will carry forward to future application cycles and program years as allowed.

3.23 Open Grant Maximum

A locality is eligible to apply for any CDBG project, provided that the total awarded CDBG amount for its open CDBG contracts does not exceed \$5 million. Please note the following considerations in calculating the value of open grants:

- Contracts for Planning Grants and Urgent Need Grants are **exempt** from the \$5 million limitation;
- For localities receiving CDBG funds for regional projects, the total contract value is included in this calculation for each locality; and
- If a County is serving as the fiduciary for a Town, the cap limit is applied to the Town.

Open CDBG Grants will not 'count' toward the cap if applicants have utilized all CDBG funds needed and have achieved the required benefits on any open grants by June 1 of the year the

application is submitted. DHCD will work with a locality on any open contract to ensure that adequate timeliness and capacity are demonstrated prior to execution of all contracts.

A locality currently at or near the \$5 million limit should contact DHCD before another CDBG project is sought. DHCD reserves the right to waive this limitation, decline to award funds, or award an amount less than the requested funds based on an evaluation of a locality's capacity.

3.3 DHCD Technical Assistance

DHCD will provide technical assistance to local governments and their agents with preparation and submission of applications. DHCD staff is available to provide technical assistance to a locality to assist in project development. Technical assistance can include sharing information and expertise, instruction, skills training, transmission of working knowledge, and the transmission of technical data. Note, however, that it is ultimately the responsibility of the Grantee to ensure compliance with all applicable grant requirements.

Chapter 4 – Use of CDBG Funding

4.1 Overview

The amount of CDBG funding available in a given program year is dependent on Virginia's formula grant allocation from HUD, which is usually announced in the spring or summer of each year. These amounts are subject to change from the previous year's distribution. To view the available funding for a specific program year, please refer to DHCD's Annual Action Plan (AAP) for that program year, available at www.dhcd.virginia.gov/consolidated-plan.

Should Virginia's total allocation increase or decrease from the amount listed in the AAP, figures for each category of usage are subject to change. In this event, emphasis will be retained for CDBG Project Grants.

Funds identified for Planning Grants, CDBG Project Grants and Urgent Need grants that are not awarded for their originally intended purposes may be used for grantmaking in one of the other grant types during the same program year, as permitted in the AAP. DHCD reserves the right to retain any funds offered during an application cycle or program year as unallocated, and such unallocated funds will carry forward to future application cycles and program years as allowed.

4.2 Funding Categories

Virginia's CDBG funding is allocated to five principal categories of usage: State Administration, State Technical Assistance, Planning Grants, CDBG Project Grants, and Urgent Need Grants.

State Administration

Up to 2% of the Virginia CDBG Allocation will be used for state program administration purposes.

State Technical Assistance

Up to 1% of the Virginia CDBG allocation will be used to cover the costs of state-provided technical assistance.

Planning Grants

Planning Grants enable localities to conduct assessments and develop effective strategies for solving local community development problems. The predominant focus of this offering will be on solving the problems of LMI persons. All Planning Grant funding is made available on an open, first come first served basis based on available funding. Applications will be reviewed at least quarterly in the order in which they are received. Requests for Planning Grants may culminate in an application CDBG Project Grants or on Urgent Need Grants. See the Chapter 5 – Planning Grants section for more information.

CDBG Project Grants (formerly 'Competitive Grants')

CDBG Project Grants enable localities to implement solutions to identified local community development problems. These grants encompass the broad categories of economic development, housing, public infrastructure, and public services. A substantial majority of the Virginia CDBG allocation will be made available to localities in the form of these types of grants.

Urgent Need Grants

These projects are designed to support long-term recovery for communities that have experienced catastrophic disasters and loss. Urgent Need funding is made available on an open, first come first served basis based on available funding. See the Chapter 7 – Urgent Need Grants for more information.

Table 1: CDBG Program at a Glance

Sub-Program	Project/Activity Type	Maximum Award	Project Delivery Costs
Planning Grants	Activation	\$40,000	-
	Project-Driven	\$75,000	-
Project Grants	Economic Development		
	Job Creation/Retention		
	1 locality	\$1,250,000	\$125,000
	2 localities	\$1,500,000	\$150,000
	Business District Revitalization (BDR)	\$1,250,000	\$125,000
	Infrastructure		
	Water/Sewer		
	1 locality	\$2,000,000	\$125,000
	2 localities	\$3,500,000	\$150,000
	Community Service Facilities	\$1,250,000	\$125,000
	Housing Production	\$2,000,000	\$200,000
	Housing Rehabilitation	\$1,250,000	\$125,000
	Public Services		
	1 locality	\$250,000	\$25,000
	2 localities	\$500,000	\$50,000
Urgent Need		\$1,500,000	\$150,000

Chapter 5 – Planning Grants

5.1 Overview

Virginia's CDBG Planning Grant program is designed to aid in developing clearly articulated strategies for addressing communities' greatest community development needs following meaningful citizen participation. Planning Grant funding is available on an open, first-come first-served basis from or until all the funding is committed. **Applications will be reviewed at least quarterly.** Any eligible locality interested in obtaining Planning Grant assistance must submit a completed application through DHCD's Centralized Application and Management System (CAMS). Please note that DHCD will provide grant-related technical assistance regardless of whether a locality formally receives a Planning Grant.

5.2 Eligibility

Eligibility for Planning Grants is subject to the following minimum criteria:

- Demonstration of a clear indication of community development needs and/or opportunities;
- The needs identified must generally be eligible targets for future CDBG investments by potentially meeting one of the three [Error! Reference source not found.](#)
- There must be evidence that local officials and stakeholders alike are committed to fully identifying and addressing local needs;
- There must be evidence that the locality and management team have the time, funding, and expertise to follow through with the planning process; and
- There must be a clear demonstration of the need for Planning Grant funds (i.e. future plans to apply for a CDBG Project Grant or grants through other funding agencies, partnership between local leadership and PDCs or other community organizations, specific plans outlined in a community plan or study).

5.3 Application Requirements

DHCD **requires** each applicant to submit documentation of initial activities with the Planning Grant application in CAMS. Failure to submit initial activities with the Planning Grant application may result in ineligibility of the Planning Grant project. This section describes the three required initial activities:

5.31 Completion of initial public meeting

A public meeting to be held for citizens to be informed of the locality's intentions for Planning Grant activities. The public meeting **does not** have to meet the requirements outlined in [Appendix B – CDBG Citizen Participation](#) (specifically, the requirements of advertisement for public hearings in the newspaper and the waiting period after advertisement for public meetings to occur); however, the public meeting must attract citizens and community members in ways that will garner the most

community engagement and include a sign-in sheet. The locality may find that more than one of these meetings is advantageous.

This can include meetings at spaces other than the locality's administration offices (community centers, public gatherings, etc.) and non-traditional methods of advertisement (via social media, flyers, etc.). The public must also be informed of future formal and informal project-related public meetings and project management team meetings. The public meeting will additionally address that future Planning Grant funding is dependent on the completion of the initial activities and approval of application.

The documentation needed to prove fulfillment of the public meeting initial activity must include: meeting minutes, attendance, and method of informing community members of the public meeting, along with any marketing materials around the initial public meeting. The importance of public attendance at these meetings cannot be overstated.

5.32 Identification of Project Management Team (PMT) and at least one PMT Meeting

The locality will identify the members of the Project Management Team, which will include at a minimum – depending on project type:

1. Locality official (Town Manager, County Administrator, Mayor, etc.);
2. Representative from PDC/Regional Commission;
3. Grant manager and consultant;
4. Housing rehab specialist;
5. Engineers/architect; and
6. Project sparkplugs (representatives of the community to be assisted).

The PMT will conduct an initial meeting to determine the capacity for carrying out a Planning Grant if awarded and determine if any members will need to be added. The documentation to prove the fulfillment of the PMT initial activity needs to include meeting minutes and attendance, along with the list of PMT members and their roles to be.

5.33 Draft project timeline and scope of work/ Planning Grant products

A separate attachment is to be included with the application showing the anticipated timeline. This document also needs to include the overall scope of work and/or the expected products to be obtained from the Planning Grant along with people/organizations responsible, including if the locality has future plans to submit for a CDBG Project Grant for the next funding cycle. A rough budget, as outlined in the "Budget Narrative" section of the Planning Grant application should, if possible, be included for clarification as well. As an example:

- a. "AnyTown Side Street Housing Assessment Planning Grant Timeline:

- i. May 2025 – Completion of Planning Grant application – PDC; \$XXX if awarded for initial activities
- ii. June 2025 – Procurement of Housing Rehab Specialist – Town/PDC; anticipated cost \$XXX
- iii. October 2025 – Housing Assessment Complete – Housing Rehab Consultant.
- iv. April 2026 – CDBG Project Grant Application Submitted – PDC/Town Staff. This initial activity can be in draft format and revised during the Facilitated Planning Session if needed.
- v. May 2026 – Planning Grant Closeout – Town/PDC - \$XXX admin.

Other documentation that demonstrates the locality's need for Planning Grant funding is encouraged to be submitted along with the application (such as preliminary windshield surveys or additional meetings documenting community engagement) but is not required as a condition of application approval.

DHCD will review applications and provide the applicant locality with a written response on a rolling basis within the application cycle. DHCD may request additional information before an award decision is announced. After a Planning Grant is approved, DHCD will contact the locality regarding award approval and next steps, including setting up a Facilitated Planning Session (FPS) with the PMT and execution of the DHCD Planning Grant contract.

Requests for more than one Planning Grant for the same or related projects must be documented thoroughly to support additional Planning Grant funding and are not often awarded. A common practice is typically a Planning Grant for an overall assessment (overall County/Town Housing Assessment, overall Town/County needs assessment) followed up by a more actualized application for a subsequent project (e.g., an overall Town Housing Assessment shows the need for a specific neighborhood Planning Grant). A multi-phased project requiring more than one Planning Grant is also a common practice (Neighborhood Housing Rehab Ph. I, Ph. II, etc.). However, the Planning Grant applications that will target the same project must be stand-alone grants, must include different planning components (additional PERs, survey, housing assessments), and/or scope of project. Projects cannot be awarded during the same funding cycle for the same project and the initial project must be substantially complete for the locality to be considered for subsequent Planning Grant funding awards.

While there is no expressed limit on the number of Planning Grants a locality may have open at one time, review of the applicant locality's past and current Planning Grants and other DHCD-awarded grants will be examined during application review. If a locality will have more than one active Planning Grant at a time, the locality must consult with DHCD prior to the submission of the second Planning Grant. Although there is no set requirement for local match, Planning Grants amounts may not cover the full cost of all required planning activities. Localities should expect to contribute resources to the planning process in order to develop a successful project.

Planning Grant applicants must be ready to promptly begin planning activities promptly once funded. As Planning Grants have a shorter timeline than traditional CDBG Project Grants, extension of contract end date will need to be justifiable and should not be expected when preparing a timeline.

5.4 Planning Grant Categories

Planning Grants are available for needs analysis and prioritization, preliminary design, and strategy development activities in preparation for a future CDBG Project Grant application or as a way to determine if a CDBG Project Grant would be viable in the future. Planning Grants can also be used for a locality to build capacity in future work with both DHCD and other funding agencies. DHCD reserves the option of awarding additional Planning Grant funding in excess of this limit for projects which are particularly innovative, challenging, or costly.

All Planning Grant activities must be conducted with maximum participation of residents, potential beneficiaries, stakeholders, and local leaders. At a minimum, this participation must be carried out in accordance with [Appendix B – CDBG Citizen Participation](#) for Local Government Applicants.

The two main categories of Planning Grants are follows:

- Activation Planning Grants
- Project-Driven Planning Grants

Table 2: Planning Grant Categories

Planning Grant Type	Maximum Award
Activation	\$40,000
Project-Driven	\$75,000

5.41 Activation Planning Grants

Activation Planning Grants (formerly called “Community Organizing Grants” or “Overall Community/Needs Assessments”) allow a locality or an organization on behalf of a locality who has either never partnered with DHCD or has not partnered with DHCD for some time to familiarize themselves with DHCD, the Planning Grant process, and general grant management expectations of DHCD. A locality that may not have a firm idea of a definitive project but may want to explore a future partnership DHCD (and other funding agencies/opportunities) would align with the Activation Planning Grant category. Localities that have partnered with DHCD but have several community development priorities are also candidates for Activation Planning Grants.

Citizen participation, input, and education is the central purpose of these Planning Grants and should result in an organized, informed community which has reached consensus on a practical vision of the future and has the capacity and options available for future community improvement.

The locality's highest community development needs should be prioritized after gathering significant and intentional input from citizens and other stakeholders. In addition to ranking these needs, the options available to address these needs should be evaluated.

While citizen participation is the central purpose of this tier of Planning Grant, technical assistance is another key element for Activation Planning Grants. An Activation Planning Grant is an opportunity to not only make needed assessments for future projects, but also an opportunity to receive technical assistance from DHCD staff on the aspects of grant management. Additionally, Activation Planning Grant funding could potentially be used for locality staff or grant management staff to receive outside training via workshops (e.g., attendance to a Virginia Main Street conference if applicable).

Eligible activities for Activation Planning Grants include:

- Conducting assessments of community strengths, weaknesses, opportunities, and threats and prioritizing the greatest community need;
- Attendance at training opportunities as deemed appropriate and relevant to continued grantee forward momentum and capacity building, including creating 'depth on the bench';
- Activation and organization of target area residents and stakeholders;
- Surveys of residents, users, customers, and potential beneficiaries; and
- Developing work plans and implementation strategies.

The capacity of the locality to undertake project planning efforts and future DHCD projects should be evaluated in an Activation Planning Grant. This evaluation should consider the following areas:

- Leadership,
- Technical skills,
- Available staff time,
- Management and fiscal systems,
- Consultants needed,
- Partnerships needed, and
- Additional funds and other resources needed for project planning and future implementation

5.42 Project-Driven Planning Grants

Project-Driven Planning Grants are awarded to prepare for projects that align with DHCD's CDBG Project Grant categories. These Planning Grants differ from the Activation Planning Grants in that the type of project is already identified. Projects may not fit neatly into the CDBG Project Grant categories; please reach out to DHCD for any questions about the category your locality's project may fit into.

Economic Development Planning Grants

This category includes both traditional economic development project planning grants, as well as Business District Revitalization (BDR) project Planning Grants and grants for innovative economic development projects.

Traditional economic development planning grants are intended to support preparation for successful economic development projects that result in jobs created or retained for a set number of individuals, of whom at least 51% are LMI. These projects usually have a particular industry or industries in mind, as well as secured property, before the planning grant application is submitted. The planning grant will allow the locality to consider job types, classifications, training and tracking, as well as the construction process and timeline.

Business District Revitalization Planning Grants assist localities in identifying opportunities to improve the economic and physical conditions within the community. BDR Planning Grants are **required** for localities seeking to complete a Business District Revitalization project. BDR planning require **significant stakeholder “buy-in”** and local capacity, so localities will be required to identify how the various responsibilities will be handled and additional resources that can be contributed to the effort. Localities that are very small or have limited capacity may be inappropriate to pursue BDR planning assistance until steps have been taken to **expand** capacity within the community.

DHCD has developed some very specific guidance to help direct the planning process for BDR planning grants. Because thorough preparation for BDR construction projects is necessary to ensure the desired community outcome of improved overall economic vitality, DHCD utilizes a phased approach for this project type. It often takes multiple years of appropriate planning and development efforts for these projects to be successful and the process is designed to recognize and accommodate this. A locality is expected to become active in the Virginia Main Street designated community program in preparation for application for a downtown project. If not already one. There are several tiers to VMS community participation: Exploring Main Street (EMS), Mobilizing Main Street (MMS), and Advancing Virginia Main Street (AVMS). Achieving at least the ‘Exploring Main Street’ tier is an expected element of a BDR Planning Grant.

Applicants must demonstrate that business district revitalization is the highest community development need. Applicants must explain why this is their highest need and provide detail on other community development efforts that have been completed. Applicants must also provide an analysis of housing and other community needs and identify how these needs have been addressed and how any remaining unmet needs will be handled. The Planning Grant is intended to determine if there is a sufficient level of physical and/or economic blight present to be eligible for CDBG assistance. **At a minimum, target project areas must exhibit at least a 25 percent level of physical blight or at least a 50 percent vacancy rate.** Additionally, an outcome of the planning grant is to collect façade improvement participation agreements from all property owners in the project area. Communities not meeting this criterion may not be allowed to complete the planning grant process.

A requirement of the BDR planning process is the development of an ***Economic Restructuring Plan*** (ERP) that identifies how the locality can implement economic improvement strategies that

will help ensure the long-term sustainability of the community, particularly the downtown business district.

Infrastructure Planning Grants

Infrastructure Planning Grants include water, sewer services, stormwater improvements, and street improvements to improve living conditions and quality of life for LMI persons. Infrastructure Planning Grants may also include Community Service Facilities.

Housing Rehabilitation Planning Grants

Housing **rehabilitation** activities are designed to improve living conditions and quality of life for LMI persons are eligible for CDBG funds. Windshield surveys, income surveys, participation agreements, neighborhood needs assessments, work write-ups and cost estimate determination are all products obtained from a Housing Rehabilitation Planning Grant. Also, Planning Grants for Housing Rehabilitation programs will include an assessment of contractor availability and qualifications and must include a contractor recruitment element.

Public Services Planning Grants

Public Services projects must provide a new service, or a quantifiable increase in the level of an existing service which has been provided by or on behalf of a government entity in the 12 months preceding the submission of the state's Consolidated Plan Annual Action Plan to HUD. The planning grant supports a locality being able to document current levels of service, the need and demand for additional services, and how the additional services will be delivered and measured. Eligible Public Services to be addressed are limited at this time to health services, childcare services, and food security services (not including food purchase).

Chapter 6 – CDBG Project Grants

Virginia's CDBG Project Grant option aids those communities with the greatest community development needs in implementing projects which will most directly address these needs.

There are four categories of CDBG Project Grant assistance: economic development, public infrastructure, housing, and public service. The readiness of every project to begin use of non-administrative CDBG funds will be a factor in evaluating and scoring each application. The table below specifies the project types in each category, and the maximum funding available for each.

[Table 1: CDBG Program at a Glance](#) provides the maximum funding available per project as well as administrative caps. Please note administrative caps are discussed in 8.4 Virginia CDBG Program General Policies [8.33 Project Administrative Costs](#).

6.1 Economic Development Projects

DHCD has two activity types for Economic Development Grants:

- Job Creation/Retention; and
- Business District Revitalization (BDR);

Please find additional information about each program type below.

6.11 Job Creation/Retention Activities

Job Creation/Retention Activities are designed to support economic development activities creating employment opportunities for LMI persons, in CDBG-eligible localities.

For all Job Creation/Retention Activities, an irrevocable Letter of Credit or other DHCD-approved security will be required in the amount of the Job Creation/Retention award. This security must remain in place until all program requirements are satisfactorily met.

Job Creation/Retention projects have one benefit – creation or retention of jobs that are held by or available to LMI persons. This may be accomplished with one of three strategies: Traditional Job Creation/Retention, Site Redevelopment, or Development Readiness.

Traditional Job Creation/Retention

The Job Creation and Retention category targets projects with LMI job creation resulting from commercial enterprises, sheltered workshops, or other non-basic industries, or projects with LMI job retention by basic and non-basic industries. CDBG assistance under Job Creation and Retention is available for on-site or off-site assistance. Applicants must prove a clear need for the off-site improvements and show justification for their scope and scale through Preliminary Engineering Reports and other analyses.

Job Creation/Retention through Site Redevelopment

This project category targets sites which have been rendered unmarketable or unusable by previous uses and which have conditions having an impact beyond the boundaries of the site. CDBG

assistance may be utilized to correct identified conditions, provided they are justified as blight in accordance with earlier guidance.

Applicants must detail the conditions and demonstrate local consensus that the conditions, real or perceived, exist and that addressing these conditions is a local priority. Treatment of these conditions must result in increased potential for investment on and surrounding the site.

Applicants must show the difference in the property value, before and after the project, with pre and post appraisals, unless an alternative method is negotiated with and approved by DHCD. In the event the post appraisal does not support the increase in value of the property, DHCD reserves the right to request other measures of the values, including, but not limited to, the sales price, additional appraisals, etc., in order to determine if undue or inappropriate benefit of public funds is likely to accrue to a private, for-profit entity.

All CDBG funding spent on these projects, save for administrative costs and must be recovered upon sale or long-term lease of the site or building to a private sector entity which will create the required jobs. Full recovery of the funds must occur within one year of the completion of construction activities.

Activities may include:

- Modification to or demolition of structures existing on these sites;
- Targeting more than one site under a single project if it can be demonstrated that the accumulation of these sites has a single identity and/or each individual site has conditions which impact beyond its boundaries.

Site conditions and corrections for these conditions should be determined through stakeholder participation. Eligible activities beyond elimination of blighting conditions may include future use planning.

Job Creation/Retention through Development Readiness

This category allows for the completion of improvements which will result in the creation of businesses and job opportunities providing primary benefit to LMI persons. The focus of this category is on removing barriers to economic investment, particularly in areas of distress. Two such barriers are as follows:

1. The existence of previously used sites and structures for which reuse for economically beneficial activities is not cost effective in comparison to development or construction on a new site.
2. The lack of building space to accommodate business location or expansion and the prohibitive cost of constructing or adaptively reusing space, especially for small businesses.

This category seeks to address these barriers directly by making resources available for site redevelopment and for commercial building development. In instances where the proposed site or building is publicly owned, eligible activities include:

- Site preparation,
- On-site and incidental off-site infrastructure,
- Architectural and engineering costs,
- Building rehabilitation or construction, and
- Administration.

All CDBG funding spent on these projects, save for administrative costs, must be recovered upon sale or long-term lease of the site or building to a private sector entity which will create the required jobs. Full recovery of the funds must occur within one year of the completion of construction activities.

Failure to secure a private sector entity to purchase or lease the improvements within the required time period will result in the administrative and construction costs being repaid by the locality. Recovered funds will be regarded as disallowed costs and will be subject to the [8.32 Program Income Policy](#).

The availability and amount of CDBG funding will depend upon the number of jobs projected to be created and the economic strength of applicant locality(ies).

Only CDBG-eligible localities may secure funding for development readiness activities. These localities may implement these activities directly using available funding or may lend these funds to a local or regional non-profit economic development entity which will implement the activities. Such an entity must have the capacity to borrow and administer Federal funds for economic development purposes.

Requests for CDBG funding should be accompanied by a comprehensive marketing strategy for growing and/or attracting businesses and creating employment, primarily through basic industries. The strategy must identify one or more sectors or industries at which marketing efforts will be aimed. The CDBG-assisted site or building should have a prominent position in the strategy. The strategy must be supported by a marketing program and an organization that is financially and technically capable of conducting the marketing.

Applicants for development readiness assistance must demonstrate that public benefit will result from the CDBG investment and that there is a clear relationship between the proposed site or building improvements and existing economic development strategies.

Only under the Development Readiness category are somewhat speculative physical improvements permitted since these improvements are treated as loans to the locality. All Development Readiness projects must have an irrevocable Letter of Credit, or other DHCD-approved security will be required in the amount of the CDBG Project Grant. This security must remain in place until all program requirements are satisfactorily met. Physical improvements under all other economic development categories must be consistent in scope and scale with the underlying needs identified.

Assistance is limited to projects involving employment creation by private, for-profit basic industries. Assistance may include off-site improvements such as water lines, sewer lines, roads, and drainage. On-site assistance may be eligible in some projects, but these projects are subject to underwriting.

Assistance for Businesses

Below are the conditions for Business Assistance:

- CDBG assistance for site improvements is eligible for no more than 80 percent of the total project costs,
- Local financial participation must total at least 25 percent of the CDBG eligible costs. Administrative costs may not be included as part of the local financial participation,
- CDBG assistance is available at up to \$35,000 per job created

Industry Agreement

Prior to the execution of a grant contract with DHCD, grantees **MUST** execute an agreement with all private firms which will receive grant assistance, or which have made benefit or leveraging commitments included in the grant proposal. Such agreements **MUST** stipulate completion of all committed actions, as well as grant related requirements. **This agreement must be reviewed and approved by DHCD prior to its execution.** The industry agreement must be reviewed by the locality's legal counsel to ensure that it is enforceable.

A sample Industry Agreement can be obtained from DHCD. Please bear in mind that this is only a sample, and agreements must be tailored to fit individual circumstances. Any agreement used for the purposes of this grant must be approved by DHCD prior to execution.

CDBG Investment

CDBG funding will only pay for improvements of a scope and scale consistent with identified needs. Improvements which will benefit future development are not eligible for CDBG funding.

Sanctions

The Industry Agreement which will be executed between an assisted business and a locality will detail sanctions which will be imposed if the assisted business fails to achieve hiring, investment, or wage/benefit commitments. Failure to achieve hiring and investment commitments may result in all CDBG funding being recaptured by DHCD from the locality.

LMI Benefit

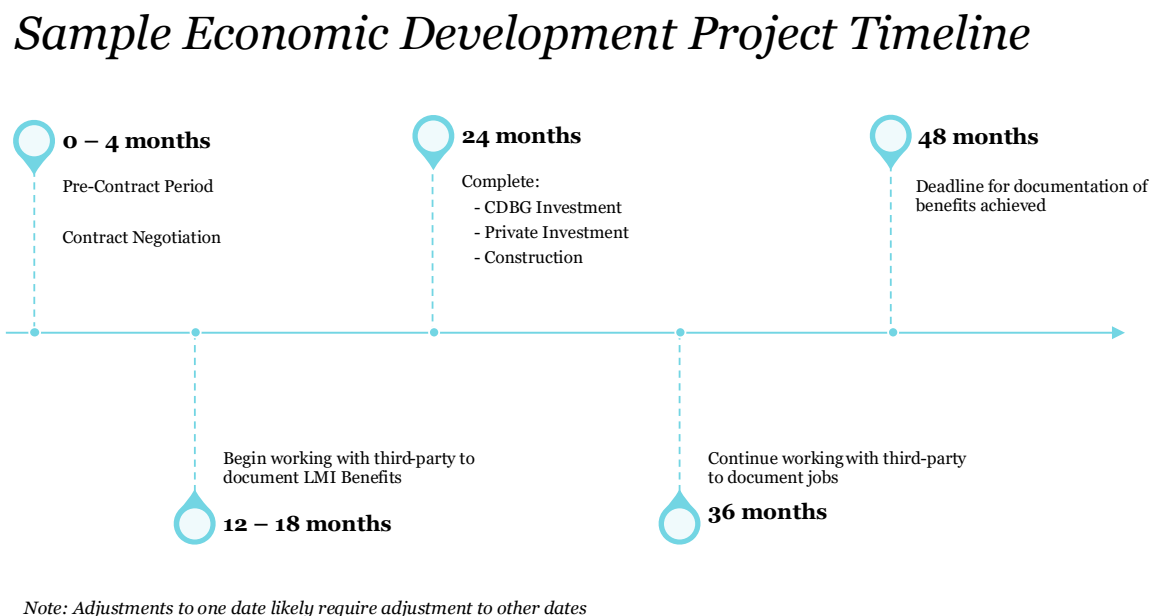
CDBG eligibility in economic development projects is established by creating job opportunities for LMI persons. There are two options for ensuring LMI benefit results from the job creation process. The first option is to employ LMI persons in at least 51 percent of the available positions. Under this option, the locality or assisted business will retain documentation of the income status of employees. The second option is to establish procedures to ensure that LMI persons will receive first consideration for employment. Under this option, the job qualifications must be limited to possession of a high school diploma or its equivalent. No special training should be required unless it is offered by the industry. A third-party single point of contact for application screening, such as the Virginia Employment Commission, is typically utilized. This contact will maintain all LMI

documentation. The employer must hire only those persons screened by this third party. At least 51 percent of the new jobs must be accessible to persons holding no more than a high school degree or equivalent.

Job creation must occur within two years of the date of completion of the private investment. Additionally, the documentation of job creation, including jobs to LMI persons, may not conclude until the completion of the CDBG-funded construction activity or the achievement of the total job creation and 51% LMI benefit, as agreed to in the executed Industry Agreement, whichever is later. Private Investment must occur within two years of the commencement date of the CDBG contact with the locality. The job creation requirement will be incorporated into a formal agreement. A business which fails to meet the job requirements will be subject to a non-performance penalty as outlined in this agreement. Please see [Figure 1: Sample Economic Development Project Timeline](#), below.

Projects utilizing CDBG funds to install or improve water / wastewater services must make these services available to adjacent residential structures. LMI households must be connected to the new service.

Figure 1: Sample Economic Development Project Timeline



Piracy

CDBG assistance will not assist a Virginia firm to relocate from one locality to another locality unless the firm provides substantial evidence that it cannot continue to do business in the existing location due to inadequate facilities, that the firm is significantly expanding beyond the capabilities

of the existing location, that the move to another location results in a net gain of permanent jobs for Virginia, and that the impacted local governments are aware of the need for relocation and concur with it. CDBG assistance will not assist a non-Virginia firm in relocating to Virginia if the relocation is likely to result in a significant loss of employment in the labor market from which the relocation occurs.

Ineligible Activities

The following activities are not eligible for CDBG assistance:

- General promotion of the community as a whole;
- Assistance to professional sports teams;
- Assistance to privately-owned recreational facilities that serve a predominantly higher income clientele where the benefit to such clientele clearly outweighs employment or other benefits to LMI persons;
- Acquisition of land for which no specific purpose has yet been identified;
- Additional assistance to a for-profit business while the business is the subject of unresolved findings of non-compliance from previous CDBG assistance;
- Assistance to facilitate the creation of gambling operations;
- Development of infrastructure in a privately-owned industrial park; and,
- On-site assistance to prisons, colleges, or state institutions.

6.12 BDR Activities

The primary purpose for providing CDBG assistance for BDR activities is to eliminate blighting conditions in deteriorated areas as a means of creating better environments for future economic activities. DHCD **requires** potential applicants to complete a Planning Grant before applying for this type of project.

BDR is designed to improve the economic environment of a locality by enabling the removal of slums and blighting conditions which threaten the health, safety, and welfare of the community as a whole and have an adverse impact on the value of real property which, in turn, adversely impacts community wealth. By addressing these blighting conditions, localities can eliminate hazardous conditions and halt disinvestment. Facade improvement must occur before any other phases of the project can begin, such as water, sewer, or streetscape improvements.

An applicant must clearly delineate the boundaries of its district and provide its rationale for this delineation. Boundaries are commonly delineated using both physical considerations, such as where land uses transition from commercial to residential and where a river or railroad run adjacent to an area, and social considerations, such as public perceptions of boundaries.

DHCD has specific guidance to help direct the planning process for BDR. With the planning process, applicants will undertake activities which are designed to identify opportunities to improve the economic and physical conditions within the community. A requirement of this process will be the development of an **Economic Restructuring Plan** (ERP) that will identify the means by which the locality can implement economic improvement strategies that will help ensure the long-term sustainability of the community, particularly the downtown business district.

Applicants must demonstrate that BDR is the highest community development need. Applicants must provide an analysis of housing and other community needs, how these needs have been addressed, and how any remaining unmet needs will be handled.

Applicants must identify all elements of physical and economic blight within the defined business district. In order to be eligible for construction funding, applicants must demonstrate that at least 25% of the properties in the potential project area are physically blighted or have at least a 50% vacancy rate.

Physical Blight

The deteriorated conditions or states of disrepair of business district infrastructure, buildings, and other physical elements which detract from the overall appearance and identity of the district and, in turn, depress property values and the ability to market and attract investment.

Economic Blight

The existence of vacant, disinvested, or underutilized buildings and parcels which represent unrealized commercial potential and project a negative image that harms efforts to attract new investment.

For any project meeting a slum and blight National Objective, signed participation agreements for any façade improvements are required **at time of application**. This includes any building owners, business owners, commercial property owners, or residential owners included in the project area. Façade participation agreements will be required before the release of any other CDBG funds in a project area. DHCD reserves the right to set limits in amount of CDBG funds available for architectural and engineering service.

Phased BDR Approach

DHCD reserves the right to offer funding for BDR projects based upon a phased implementation approach. Appropriate projects will have successfully completed the BDR planning process and developed an appropriate economic restructuring plan but have legitimate barriers to securing all resources necessary to complete the entire BDR project within the timeframe of a CDBG contract. Under this option, available funding will be based on the prioritized and phased implementation of activities with CDBG funds initially only available for activities identified as the highest priority. Funding for subsequent activities will be released following the prompt and successful completion of the highest priority CDBG funded activities and all agreed upon leverage activities. Funding for activities addressing major concentrations of blighted properties (beautification efforts, decorative sidewalks, installation of benches, gateways, signage, overhead relocation, etc.) will only be released on a performance basis once the physical and economic blighting elimination activities (facade improvements) have been completed.

Funding may be offered under multiple CDBG program years. The specific prioritization of activities will be negotiated between DHCD and the locality prior to execution of a grant award. Funding for activities addressing major concentrations of blighted properties (beautification efforts, decorative sidewalks, installation of benches, gateways, signage, overhead relocation, etc.) will only be released on a performance basis once the physical and economic blighting elimination activities

have been completed. This option is intended to address the challenges small localities face in leveraging significant resources and is not intended to provide for implementation of BDR projects that have not adequately completed the planning and preparation process. It is expected that applicants pursue other sources of funding to fully implement their economic restructuring and physical improvement plans.

Applicants must have in place an ***Economic Restructuring Plan or Economic Development Strategy (including information on revitalization of downtown or commercial district)*** to help ensure the long-term success and viability of the project. The proposed project must be composed of activities derived from the locality's ERP/EDS. Please note that completion of design elements and/or branding/marketing efforts are eligible costs under this project type but cannot exceed five percent of the total CDBG funding requested.

Applicants must address all blighting conditions using CDBG funding and other resources. CDBG funding targeted for real property acquisition and demolition or transformation must be linked to the designation of a Redevelopment or Conservation area under Virginia law according to [24 CFR 570.208 Community Development Block Grant National Objectives](#).

All revitalization activities must include significant participation by district stakeholders, including property owners, business owners, local government officials, and concerned citizens. This participation should follow a Virginia Main Street Approach to BDR projects. Potential applicants should contact DHCD for additional information on this approach. This participation should, in part, lead to the development of a Revitalization Plan. Specific requirements to ensure continued participation include:

- Façade improvements will require signed participation agreements for all interested building owners
- Requirement that grantee enact and enforce an ordinance that requires all building improvements from the time of the grant forward to be done in a manner consistent with established design guidelines. The ordinance must be in effect for a minimum of ten (10) years.
- Grantee must adopt minimum design and maintenance standards (building or property code standards may be acceptable) for those not willing to participate. These standards must be approved by DHCD and must be enforced for a minimum of ten years.
- Commitment to a redevelopment plan which gives the locality the authority to take and condemn blighted properties if the property owners do not commit to participate.

CDBG funding may be targeted for implementation of other elements of a Revitalization Plan, including providing support for a business district organization, for marketing efforts to secure private investments, and for minimal cosmetic improvements to non-blighted elements. Entrepreneurship development activities are eligible as an addition to BDR projects. For requirements, see the 6.11 Job Creation/Retention Activities.

Applicants intending to use CDBG funding under BDR projects to add units of housing must contact DHCD early in the process to provide detailed information on the market, how affordability was

determined, and, if units are developed using other funding, the revenues and expenses to be included in the project.

6.2 Infrastructure Projects

CDBG assistance under this option is generally targeted to projects involving water and wastewater improvements and certain community service facilities serving primarily LMI persons. Public infrastructure projects may include one or more localities.

For both Infrastructure and Housing Rehabilitation projects, a grantee may incorporate additional, ancillary infrastructure activities that align with the proposed primary activities. Examples of these activities include but are not limited to installation of stormwater drainage structures, sidewalks, or curb and gutter. These ancillary activities may be included in Infrastructure or Housing Rehabilitation projects.

A locality may submit separate CDBG applications for both Infrastructure and Housing Rehabilitation projects to benefit the same project area. These separate applications may be submitted during the same funding cycle or in different funding cycles. However, please note DHCD will not duplicate the same CDBG-funded activities in a project area within a ten (10) year period.

6.21 Water / Sewer Activities

Projects which include water and/or sewer service activities must meet the following requirements:

- At least 51 percent of the residents in the project area are LMI persons.
- Service must be made available to any house within the project area that is occupied by an LMI household located within 200 feet of the distribution (water) or collector (sewer) line at no cost to the household beyond monthly user fees;
- Water meters are required for each customer that connects to the CDBG supported utility line (mobile home park owners are considered a single customer);
- The CDBG investment per water connection may not exceed an average of \$30,000.
- The CDBG investment per sewer connection may not exceed an average of \$50,000.

LMI persons cannot be charged an access fee for facilities developed using CDBG funding and neither are these fees CDBG-eligible expenses. The actual physical costs of connections will be eligible for CDBG funding. To the extent feasible, public water service applications must include a project design which accommodates appropriate fire protection measures in the project area.

The reasonableness of user charges will be considered in evaluating any revenue-producing project, particularly water and sewer projects. DHCD reserves the right to reduce in a proportional manner grant requests from applicants where utility rates charged by an entity are below the state average.

For projects which extend utility lines from one jurisdiction to another, utility rates must be the same throughout the CDBG project area unless it can be documented that the locality which owns

or is served by the CDBG-supported utility line is subsidizing water rates with its general fund. However, in no case can “out-of-town” rates exceed one-and-a-half (1½) times the “in-town” rates.

CDBG funds will not be invested in systems that can or will provide redundancy to a customer base that would be more efficiently served by another entity. Instead, it is expected that jurisdictions will cooperate to identify the best possible system and entity for providing service to a specified customer base.

Needs for Public Infrastructure projects will best be determined through surveys of project area residents and through relevant documentation from regulatory and other agencies. For new public infrastructure, the demand for services must be established through obtaining signed user agreements from the proposed beneficiaries or documenting a local mandatory hook-up policy and its history of enforcement.

A locality should obtain signed user agreements that state the commitment to connect to the new system prior to the submission of an application to ensure adequate service will be provided to meet actual community needs.

Applicants should target having user agreements in place for at least 80% of the households in the project area for a water project at the time of application. Wastewater projects should obtain user agreements from 75% of all households at the time of application. Wastewater projects are expected to be ready at the time of submission with user agreements in place, easement locations identified, and a plan for obtaining easements. Outstanding user agreements and easements should be addressed after application submission to ensure the project is ready to begin at the conclusion of the pre-contract period.

Project activities are established through completion of preliminary engineering work. If a Preliminary Engineering Report (PER) was completed, a copy of it must accompany the community facility application. If Virginia Department of Health (VDH) and/or Department of Environmental Quality (DEQ) approval is required for a project’s plans and specifications, the project PER must be submitted prior to submission of the project application to DHCD.

CDBG assistance cannot be used to exclusively fund the cost of service lines (i.e., lines that run from the house to the water distribution or wastewater collection lines). Service lines are an eligible CDBG expenditure provided it is appropriately proportional to the expenditures on other features of the project.

In projects involving the provision of water, sewer, or other public infrastructure to privately-owned, multi-tenant properties as a contributing factor towards meeting the required LMI benefit, CDBG assistance will be eligible for expenditure on those features of the project which provide substantial benefit to current LMI tenants. DHCD will safeguard the provision of benefits to current LMI tenants as follows:

- CDBG funding will be provided to meet *current* LMI needs.
- Property owners will be prohibited from creating additional tenant spaces which would dilute a project’s LMI benefit.

- Assistance may be prorated to oversized service or distribution lines.
- Participation in pump stations, storage tanks, or other features will also be dependent upon the level of LMI benefit in the project.

Savings produced by the CDBG investment must translate to direct LMI benefit. Generally, each LMI unit receiving services must be individually metered with billing being a responsibility of a local public agency. No private property owners may charge LMI tenants a connection fee or a surcharge on service usage.

6.22 Housing Production Activities

CDBG assistance is available in support of the infrastructure development for the creation of single- and multi-family housing units targeted for LMI persons. CDBG funding is applicable to infrastructure final design and construction. DHCD reserves the right to work only with select projects that demonstrate true need and demand, and which clearly show CDBG as an appropriate and necessary source of funds. CDBG funding is only appropriate when it is a clear community development priority and benefit, and long term LMI benefit, to the applicant locality.

For Housing Production projects, the locality must have control of the property during the time of CDBG funded improvements. Generally, this control will be either ownership or lease of the property. Alternative methods of legal control can be negotiated on a case-by-case basis.

All Housing Production projects must have a Market Study demonstrating a clear local need for additional housing units, provide evidence of significant local demand for the additional units, and target the development of housing units of a quality and quantity which will meet local needs and demands. Additionally, any housing developer must demonstrate the capacity to successfully implement the project in partnership with the applicant. Project evaluation will reward those projects which result in the greatest number of quality units at the lowest cost per unit. In most cases, all other funding needed to move the project forward should be committed before CDBG funds are committed. Please note that DHCD has other downpayment assistance programs available that must be considered and pursued before using CDBG funds for downpayment assistance.

6.23 Community Service Facility Activities

Community Service Facility Activities are part of the CDBG Infrastructure project type and are projects that construct physical facilities targeting the provision of important services to LMI persons and the greater community. All Community Service Facilities applications must demonstrate that facility development is a clear local community development priority. Localities submitting applications should first develop a methodology to prioritize highest community development needs. Applicants must describe other community development priorities and their positions relative to facility development.

Examples of Community Service Facilities:

- Daycare facilities

- Health and/or dental clinics
- Facilities for protected populations such as elderly and/or people with disabilities
- Skill-building facilities for youth and unemployed

Applicants must clearly demonstrate the local need for the services to be provided. The most reliable information on these needs will result from surveys of potential users and existing service providers. Census information and other statistical information, although useful, provide less reliable justification for the need for a facility. The user surveys should, at a minimum, confirm potential user LMI status, the demand/need for and interest in the services proposed for the facility. Surveys of individual potential users are a better indicator of need than surveys of households. Surveys of existing service providers will permit, at a minimum, identification of gaps between service need and availability.

For Community Service Facilities projects, the locality must have control of the property during the time of CDBG funded improvements. Generally, this control will be either ownership or lease of the property. Alternative methods of legal control can be negotiated on a case-by-case basis, contact DHCD for additional guidance.

6.3 Housing Rehabilitation Projects

6.31 Overview

Housing Rehabilitation projects include housing-related activities (housing rehabilitation, substantial rehabilitation, relocation, etc.) intended to improve LMI-occupied housing units to meet DHCD Housing Rehabilitation Standards. There is no minimum number of houses for a proposed project, and rehabilitation assistance is available for both owner-occupied and investor-owned properties; however, Housing Rehabilitation activities may only be conducted on properties inhabited by LMI persons.

Housing Rehabilitation may be conducted on small, clustered areas or neighborhoods, as well as units in non-contiguous areas of a locality. A sufficient description and justification of the identified community must be provided in an application for this project type. Applicants must contact DHCD well in advance of the application submission if the locality plans to submit a large-scale targeted study area housing rehabilitation application. For projects seeking to rehabilitate units in a non-contiguous geographic area, it is expected that the applicant will document that all definable neighborhoods or communities have had housing rehab needs met prior to application submission.

6.32 Eligible Costs and Activities

Housing Rehabilitation projects include traditional housing rehab, substantial reconstructions, and temporary and permanent relocation. Up to 10 percent of the total housing rehabilitation activity budget may be used for Rehabilitation Specialist services such as inspections, specifications, and bidding. Additionally, crucial non-housing activities or non-construction housing support activities that will clearly complement the housing improvements taking place in the project area and will meet a National Objective may be included in a housing rehabilitation project with prior DHCD approval. CDBG participation in these activities shall not exceed 15 percent of the total amount requested.

Table 3: Housing Rehabilitation Allowable Costs

Activity	Allowable Costs	Rehab Specialist Fee	Increase in costs due to COVID-19
CDBG Rehab - Post 1978	\$125,000	10% of construction costs	10%
CDBG Rehab - Pre 1978 *Must include lead paint inspection and abatement or hazard reduction	\$125,000	10%	10%
CDBG Rehab - Substantial Reconstruction	\$150,000	10%	10%
Alternative Septic	Additional \$10,000	Additional \$10,000	N/A
Lead Inspection/Risk Assessment		N/A	N/A

All pre-1978 units will include LBP testing and abatement/hazard reduction. It is assumed that project costs will exceed \$25,000. This is an exception to the allowable limits in the chart above.

Ineligible Units

CDBG funds cannot be used to rehabilitate Section 8 or tax credit properties. CDBG funds cannot be used to rehabilitate housing that has undergone DHCD-funded Housing Rehabilitation Standard repairs within the past 10 years, unless there is a significant percentage of improvement, or a different type of improvement from the previous rehab project. For example, if a housing rehab received structural repairs such as new construction or improved plumbing, the same unit may be included in a new project with the primary activity to improve energy efficiency within 10 years.

No vacant unit or structure shall be rehabilitated with CDBG funding without prior written address-specific DHCD approval. The unit must have a history of being consistently occupied over the last five years and rented for at least six months of the year preceding the application's submission, the unit was purchased by an LMI household, or the unit is owned by a locality, housing authority, or non-profit and will be sold to or lease-purchased by an LMI household.

6.33 Loan Terms

DHCD has structured the loan amortization periods for housing rehabilitation projects based on the amount of CDBG construction funds invested in a house. They are as follows:

Table 4: Housing Rehab Loan Amortization Periods

Loan Amount	Amortization Period
Up to \$50,000	5-year forgivable loan
\$50,001 to \$100,000	10-year forgivable loan
\$100,001 and above	15-year forgivable loan

The loan amount is forgiven in equal portions throughout the term of the loan. Any funds received by the grantee for loan repayment become Program Income and must be handled accordingly. The exception to repayment of the unforgiven portion of the loan, for owners and landlords, is to ensure that a 'new' LMI household occupies the unit for the remaining term of the loan. These basic tenets apply to all CDBG-funded housing rehabilitation and housing production.

Owner-Occupied Units

DHCD will make available five-year agreements in the form of forgivable loans with project beneficiaries. Selling the property before the five-year compliance period will require prorated repayment of the number of improvements to the property. If the LMI owner-occupant vacates the unit for whatever reason during the term of the loan, the unforgiven amount is to be collected when the unit ownership is transferred or sold.

Investor-Occupied Units

Investor-owned participation in rehabilitation must include execution of a legally recorded commitment to provide the improved housing units to LMI households for no less than five years at affordable rents. The rent amount must be clearly established in the rehabilitation contract and shall remain at the same level for all subsequent tenants for the balance of the loan term. Rent levels shall not be increased between the CDBG Project Grant submission date and the date of announcement of CDBG Project Grant awards. Investor-owners may not increase rents beyond actual direct cost increases, such as taxes and insurance, for at least the term of the loan. If the original LMI renter vacates the unit for whatever reason during the term of the loan, the unforgiven amount is to be collected when the occupancy changes.

The exception to repayment of the unforgiven portion of the loan, for owners and landlords, is to ensure that a 'new' LMI household occupies the unit for the remaining term of the loan.

Investor-owned units should not make up more than 50% of the units targeted for assistance. In the event investor-owned units are planned for demolition and permanent relocation for the tenants, in addition to meeting the minimum requirements of the Uniform Relocation Act, applicants are encouraged to evaluate the needs of the renter and evaluate the options that best addresses their needs.

6.34 Risk Assessments

Lead Hazard Reduction (LHR) Program

The primary goal of the LHR program is to prevent childhood lead poisoning. While lead testing is not a specific requirement for housing rehabilitation projects, DHCD encourages and supports lead testing when it is feasible. CDBG funds can be used alongside LHR funding or as an add-on to any CDBG Project Grant. Lead-based alleviation activities administered as an add-on to housing rehabilitation CDBG Project Grants can cover certain costs incurred by homeowners and/or landlords. LHR permits lead reduction activities in vacant units provided the landlord owner/landlord must agree to give priority to families with children under six for not less than three years following the completion of work.

Lead testing of a home includes funding activities as detailed below:

- Additional funding for administrative functions: up to \$5,000 per unit
- Lead Inspections/Risk Assessments: up to \$1,200 per unit
- Cost sharing between CDBG and LHR
- Clearance testing: up to \$610/unit

Eligibility for lead abatement and risk assessments must meet at least one of the following:

- Child under 6 years old residing at home
- Child under 6 years old visiting the home frequently (defined as three hours a day on two separate days a week and a total of 60 hours per year)
- Pregnant woman residing at home

Investor-owned or renter-occupied residential properties do not require children under the age of 6 to reside in the unit, but the owner must commit to priority renting to LMI families with a child under 6 for the next 3 years.

*All risk assessments must be completed no more than 6 months prior to application submission date.

Addressing Radon

Pursuant to HUD [CPD Notice 23-103](#), radon gas must be considered in the contamination analysis required during the environmental review process at [24 CFR Part 50.3\(i\)](#) and [58.5\(i\)](#).

All structures under construction with Virginia CDBG funding after April 11, 2024 must be tested for radon in accordance with the [standards](#) co-written by the American National Standards Institute (ANSI) and the American Association of Radiation Scientists and Technologists (AARST). Radon testing must be conducted by a professional currently certified by the National Radon Safety Board (NRSB) or the National Radon Proficiency Program (NRPP). The websites for each of these entities have a search engine to “Find a Professional” in your area. Radon Mitigation Companies must be licensed by the Virginia Department of Professional and Occupational Regulations (DPOR).

The environmental review preparer may *not* use the EPA Map of Radon Zones nor EPA State Maps of Radon Zones for considering radon levels at a project site for compliance with [24 CFR 50.3\(i\)](#) or [24 CFR 58.5\(i\)](#). Additionally, the use of radon test kits procured from local vendors is not acceptable for this program.

Radon testing must be conducted on any CDBG-assisted structure occupied more than four hours per day. Once a grantee is under contract, no CDBG funds will be obligated for improvements on a structure prior to the completion of radon testing in accordance with the above standards.

If testing demonstrates that radon levels are below 4pCi/L, mitigation is not required. All resulting documentation must be added to the ERR and the construction file for the structure.

When radon testing determines indoor air radon levels are at or above 4 pCi/L or the scientific data review determines the project site is located in an area that has documented radon levels at or above 4 pCi/L, the Environmental Review Record (ERR) must include a mitigation plan. Structures with test readings of 4 pCi/L or more must receive radon mitigation systems installed in the

structure by a radon licensed entity after the general rehabilitation is complete, and must document a post test for radon reading that is less than 4 pCi/L.

A copy of the test report and mitigation plan (if applicable) must be obtained from the certified professional and included in the ERR. Any required radon mitigation activities must be conducted by a different entity than performed the testing. Radon testing should occur after the rehab improvements are complete on a HUD-funded structure.

6.4 Public Service Projects

6.41 Overview

Public Service projects cover a wide range of activities designed to respond to a timely or pertinent community need. CDBG-funded public service activities must meet the benefit to LMI individuals or Urgent Need National Objectives.

CDBG funds may be used to pay for operations, supplies, and materials to operate and/or maintain the portion of the facility in which the public service is located.

Please note, the total amount of CDBG funds expended statewide for public services activities must not exceed 15 percent of the state's yearly allocation of funds plus 15 percent of program income received distributed by the state under its method of distribution.

6.42 Eligibility

Per [24 CFR 570.201\(e\)](#), to be eligible* for CDBG assistance, a public service must be either:

- A new service within the community; or
- A quantifiable increase in the level of an existing service which has been provided by the state or another entity on its behalf through state or local government funds in the 12 months preceding the submission of the state's Consolidated Plan Annual Action Plan to HUD.

**An exception to this requirement may be made if DHCD determines that any decrease in the level of a service was the result of events not within the control of the local government.*

Grantees may apply for public services funds for two consecutive funding cycles. An expected activity is fund development so the grantee can continue the new or increased service even after the CDBG funding is no longer available, and then they will have to sit out for a funding cycle before reapplying for another purpose.

6.43 Public Service Activities

DHCD will limit its Public Service activities to three priority areas based on input from communities:

- Childcare activities
- Health services activities
- Food security activities

Localities seeking CDBG funding for a Public Services project outside of these three priority activities must contact DHCD prior to developing an application.

Childcare Activities

CDBG funds can be used to support the operations of a childcare program primarily to benefit LMI families. Public services funding can cover the operations costs for state licensed childcare facilities. CDBG funding can also cover programs offering financial assistance to families. The CDBG Public Services childcare program is designed to support and supplement the State of Virginia's Child Care Subsidy Program as well as provide additional resources to support one of the Commonwealth's highest priorities in order to ensure that young children have improved access to quality, affordable childcare.

Childcare programs supported through CDBG funding must provide licensed, affordable and equitable high-quality childcare. Program activities must include educational resources and must meet equitable access requirements. In order to receive CDBG funding for any childcare program, a facility site plan must be provided at the time of application.

Health Services Activities

CDBG funds can be used to support health programs or health care services (as either a new or expanded service) for LMI persons. The health service may be administered by a local health department in conjunction with a health care non-profit or healthcare organization. Some examples of CDBG funded public services under the presumed benefit include health services at an AIDS clinic, mental health counseling for people experiencing homelessness, or a new pharmacy for LMI individuals.

Some health care activities include, but are not limited to:

- Transportation services for non-health center patients;
- Access to mental/behavioral health and dental/oral health services;
- Translation services for health care patients;
- Personnel;
- Assistance with health insurance/ insurance counseling; and
- Substance abuse and misuse recovery support services.

Food Security Activities

In 2020, DHCD used CARES Act funding to help communities respond to the COVID-19 pandemic. Food security and food pantry assistance was provided through Public Services funding. Based on CDBG contract performance and the expressed need for continued funding in this area of need, the

annual CDBG Public Services program will provide funding assistance to combat food insecurity. Such activities to address food security include:

- Administration of food banks and food security organizations
- Implementing meal delivery programs
- Establishing food cooperatives

Please note, **CDBG funds may not be used for food purchase.**

Chapter 7 – Urgent Need Grants

CDBG funding is available to eligible localities on an open submission basis to enable prompt response to existing serious and immediate threats to local health and safety. Projects are intended to primarily benefit low- and moderate- income persons. These projects are generally meant to be part of a longer-term recovery strategy rather than a short-term response strategy. DHCD reserves the right to CDBG funding is available to eligible localities on an open submission basis to enable prompt response to existing serious and immediate threats to local health and safety.

All UN applications and activities must meet the following thresholds:

- The proposed project must alleviate existing conditions which pose a serious and immediate threat to the health and welfare of the community; and,
- Applications for Urgent Need projects must be submitted to DHCD within 24 months of the declaration announcement date; and,
- The applicant locality is unable to finance the project on its own, no other funding is available to address the problem, and the CDBG funding will be directly targeted towards alleviation of the threatening conditions; and,

The threat must be supported by either:

A current declaration of an emergency by the Governor of Virginia relative to a flood, a hurricane, a tornado, an earthquake, or other disaster event, not including droughts, snow, or ice conditions,

OR

A current declaration of an immediate and severe health threat by the State Commissioner of Health relative to the complete failure of a public water or sewer system or incident of similar significance.

CDBG assistance will generally not be made available to projects with public facility failures resulting from neglected maintenance by a locality.

Localities interested in UN assistance MUST contact DHCD to discuss project eligibility.

Chapter 8 – CDBG Project Administration

8.1 Compliance

The following provisions are required for any project receiving CDBG funding.

8.11 Uniform Administrative Requirements

All CDBG projects must adhere to the provisions of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as detailed in [Title 2 CFR Part 200](#).

8.12 Build America, Buy America

All CDBG projects will adhere to the requirements of the Build America, Buy America (BABA) Act, [41 USC 8301](#) note, and all applicable rules and notices, as may be amended. BABA includes the “Buy America Preference” (BAP), requires that all iron, steel, manufactured products, and construction materials used in public infrastructure projects funded with CDBG funding must be produced in the United States.

Applicability

An infrastructure project is defined in 2 CFR 184.3 as any project that includes construction, maintenance, alternation, or repair. Examples of CDBG-funded activities that are considered infrastructure projects, according to BABA, include but are not limited to:

- Rehabilitation, maintenance, and reconstruction of buildings and real property, including housing, and
- Construction and repair of public facilities and improvements, such as water, sewer, or other utilities, roads, bridges, or sidewalks.

Per [CPD Notice 25-01](#), housing projects with one- to four-units should be classified as private and are not subject to BABA. Housing projects with five or more units should be considered as public infrastructure subject to BABA unless another BABA waiver or exemption applies.

Implementation

Pursuant to HUD’s Notice, “Public Interest Phased Implementation Waiver for FY 2022 and 2023 of Build America, Buy America Provisions as Applied to Recipients of HUD Federal Financial Assistance” ([88 FR 17001](#)), and funds obligated by HUD on or after the applicable listed effective dates, are subject to BABA requirements, unless excepted by a waiver. DHCD adheres to the HUD’s policies and procedures for BABA.

Projects receiving CDBG funds from Program Cycle 2025 and beyond will be subject to requirements for all categories of covered materials (iron and steel, construction materials, and manufactured products). For a complete list of applicable materials, please see the [Buy American Preference for CDBG Grantees Quick Guide](#).

Additional guidance and details regarding BABA applicability and implementation will be provided by DHCD and added to this document once available.

8.13 Conflict of Interest

In accordance with Virginia and federal conflict of interest requirements (including [Title 24 CFR Part 570.611](#)), no work can be done on the property of any person, or his/her immediate family, who has or had decision-making power in the CDBG program from the time the application was planned, developed and submitted to DHCD to the grant's execution and implemented without DHCD's prior written approval regardless of any prior approval of a Program Design Manual. This includes any elected and appointed officials, employees of the grantee, and Housing or Façade Board Members.

8.14 Indoor Plumbing Requirements

An applicant undertaking a water and sewer project must address the indoor plumbing needs of project area residents by the completion of the construction period. Benefit to a particular household will not be accepted unless the unit currently has or will be provided with indoor plumbing facilities. Housing units receiving indoor plumbing facilities must also meet DHCD Housing Rehabilitation Standards. CDBG funding may be used to improve these units to standard condition.

8.15 Anti-Displacement

Localities must minimize the displacement of individuals, families, businesses, organizations, and farms to the greatest extent possible. This includes direct displacement resulting from real property acquisition, rehabilitation, demolition or conversion, and any indirect displacement.

Localities must certify that displacement will be minimized at the local level and that a Residential Anti-Displacement and Relocation Assistance Plan, which includes a one-for-one replacement provision, will be followed. Each recipient of CDBG Project Grant funding must provide financial benefits and advisory services to any individual or entity involuntarily and permanently displaced as a result of a CDBG-assisted activity. This assistance must be provided on an equitable basis.

8.16 Universal Design Elements

DHCD requires use of Universal Design elements when applicable. This is particularly applicable where substantial reconstruction of a unit will take place. Universal design elements include:

- Accessible route to a zero-step entrance into the residence
- Doors with at least 32 inches of clear width
- Hallways and passages with at least 36 inches of clear width
- Accessible light switches, electrical outlets and environmental controls
- Accessible bathroom
- Accessible and useable kitchen facilities

8.2 Post-Award Process

Following the announcement of the award of a grant, DHCD will schedule a Contract Negotiation Meeting to discuss the terms of the grant offer. A locality generally has up to 120 days to complete required actions provided during the Contract Negotiation in order to complete all actions required to receive a contract from DHCD. Failure on the part of a locality to complete identified actions may result in revocation of a grant offer by DHCD. Further, prior to the award and release of any CDBG

funds, a review of all open CDBG projects submitted by the locality will be conducted. In instances where DHCD has identified performance or project issues, new CDBG funds may be withheld until these deficiencies are corrected. Uncorrected deficiencies may lead to the rescission of the grant offer. Such actions typically include, but are not limited to, completion of Federal requirements, drafting and execution of other contracts and agreements, resolution of issues from previous contracts with DHCD, timely submission of one or more required audits; and completion of certain management planning activities.

Once a CDBG contract is issued, the grantee has a set period for project completion. During that time, project monitoring occurs, and reports related to general progress, annual progress, and special topics are required by set deadlines.

For those localities that were not awarded a grant, DHCD staff is available upon request to facilitate a debriefing session and offer feedback from the review process and provide project development technical assistance for subsequent applications.

8.21 Letters of Intent

For projects where it is apparent that, because of the timing of the availability of other funding sources or similar factors, project implementation will not commence following an award of CDBG funding, DHCD reserves the option to offer such a project a Letter of Intent for CDBG funding. Such funding may be a commitment from a current or future year's CDBG allocation. Decisions to issue Letters of Intent will be made during the application review process. Applicants will receive notice of a Letter of Intent award at the same time other applicants receive notices of grant funding awards.

Letters of Intent will generally be provided only to CDBG Project Grant applications and will be limited in cumulative value to no more than 30% of any one year's CDBG allocation. Letters of Intent issued during any grant cycle will expire on July 1 of the following calendar year, or a prior date determined by DHCD. A locality receiving a Letter of Intent can receive a funding offer only after it executes formal agreements with all outstanding funding sources, resolves any outstanding issues, and takes formal steps to begin project implementation, such as publication of an invitation to bid for a project involving construction activities.

No extensions of a specified Letter of Intent termination date will be permitted. Letters of Intent for which all outstanding issues have not been addressed by this date will be voided, terminating all potential future funding obligations related to the original application submission. Localities impacted by a voided Letter of Intent will be eligible, multi-contract rule permitting, to submit an application for the same project in subsequent CDBG funding cycles.

**Multi-contract rule – grantees are allowed to enter into multiple contracts (i.e. have multiple projects open with DHCD), given that the locality stays under the \$5 million cap for CDBG funds.*

8.22 Project Modifications

DHCD reserves the right to adjust requests for CDBG assistance and the terms of this assistance to optimize the provision of benefits, ensure that activities and improvements are eligible for CDBG assistance, and otherwise promote efficient utilization of available funding. DHCD further reserves the right to reclassify activities and projects in terms of National Objective as is appropriate, and to offer Planning Grant funding instead of construction grant funding.

8.3 Financial Administration

8.31 Payment for Performance

All CDBG Grant Agreements are performance-based contracts. The administrative section of the Project Budget must be based on completion of tasks and achievement of milestones and outcomes. These payment thresholds are negotiated between DHCD and the Grantee and will outline the respective tasks and how much DHCD will pay upon the completion of each task. Further, if a grantee is using any or all of the eligible CDBG funds to reimburse for grantee staff time for the delivery of administrative or programmatic milestones, the grantee must adhere to the pay for performance budget and document staff time invested in milestone and project completion.

DHCD reserves the right to refuse any application or condition any grant award based upon past performance, outstanding grant violations or continuing capacity to carry out funded activities in a timely manner.

Contracts and Payments

DHCD reserves the option of funding projects under more than one performance-based contract and from more than one year's CDBG allocation. DHCD reserves the option of canceling additional contracts due to non-performance on initial contracts.

DHCD will make prompt payments under current contracts pending confirmation that performance expectations are being met. DHCD reserves the option of withholding payments for non-performance under any particular CDBG project and for non-performance under any other DHCD programs.

8.32 Program Income Policy

Revenue generated by a CDBG project in excess of \$35,000 in the fiscal year is classified as Program Income and must be returned to DHCD except in cases where a Program Income Plan has been approved. These Plans will, in general, only be approved when the income will be reinvested in the same activity that generated the income and in the same geographic location from which it was generated. Program Income received by DHCD will be used to fund additional eligible CDBG projects.

8.33 Project Administrative Costs

CDBG funding may be used to cover administrative costs in CDBG Grants of all types. CDBG-eligible administrative costs are limited to 10 percent, or as prescribed below, whichever is lower,

with limits depending upon project type. The administrative cap is included in the overall project cap. If a grantee intends to apply for CDBG and Appalachian Regional Commission (ARC) funds for the same project, DHCD will only approve project administration from one funding source unless the grantee receives written prior approval from DHCD to request funds from both sources.

8.4 Virginia CDBG Program General Policies

The following policies are applicable to all assistance available under the Virginia CDBG, except where noted:

8.41 Regional Projects

For regional projects– in which more than one locality benefits from the project activities– one local government must be designated the lead locality. The lead locality and all participating localities must, prior to receiving a contract with DHCD, enter into a legally binding cooperative agreement to ensure equitable project implementation and compliance with all applicable regulations. Almost any project type may be considered regional if planning or implementation activities occur in or benefit residents of the participating localities. Regional projects targeting physical improvements must be contained to a single area which includes portions of adjacent CDBG-eligible localities. Regional projects are limited to the grant maximum listed for that project type, unless specified otherwise.

Regional infrastructure projects will be considered regional in the event that the involved localities are either creating a new entity to manage the infrastructure system or are combining systems under a single entity. Projects that simply extend utility lines from one jurisdiction to another or create interconnections between currently existing systems will not be considered regional.

Regional infrastructure projects must document:

- A significant need to be addressed through services within each locality's borders for the benefit of its residents, including investment by each locality,
- Equity in rates charged to users who are directly benefited by the CDBG investment,
- Assurances that system improvements will be adequately maintained, and
- Consolidation of two or more existing utility systems into a single operating entity, such as a Regional Service Authority, or creation of a new operating entity that serves the region with at least 50% of CDBG expenditures devoted to new service or a significant upgrade in service.

Job Creation/Retention Activities must result in job creation, business start-up or significant expansion, and must directly relate to a strategic economic restructuring effort. Benefit projections must be deemed reliable and credible for the number of jobs to be created, and the jobs must clearly be documented. CDBG participation will be limited up to \$35,000 per job created or retained. Note: all economic development projects resulting in job creation will be required to issue a Performance Bond.

8.42 Acquisition

All applicable federal regulatory procedures must be followed when acquisition is identified as a potential project activity and CDBG funds will be utilized.

CDBG funds will only pay up to the fair market value established using the following criteria:

- If the proposed property to be acquired (not necessarily the entire property) is valued at less than \$10,000 based on current tax assessment, DHCD will not require an appraisal. However, if the property owner disagrees on the value of the property, an appraisal will be required.
- If the proposed property to be acquired is valued between \$10,001- \$100,000, an appraisal is required.
- If the proposed property to be acquired is valued over \$100,000, a review appraisal is required.

CDBG funds cannot be used solely for acquisition of any property or facility.

Facility Control

Any facility built or improved with CDBG funding must be controlled for an agreed upon period, up to 20 years through ownership or lien by the local government and maintained for the intended use OR the facility or the amount of CDBG funding invested in the facility must be returned to the local government to utilize for other CDBG-eligible activities authorized by DHCD. For *Community Services* projects, the locality must have control of the property during the time of CDBG funded improvements. Generally, this control will be either ownership or lease of the property. Alternative methods of legal control can be negotiated on a case-by-case basis.

8.43 Rehabilitation

CDBG funds cannot be used to rehabilitate properties that have undergone DHCD-funded Housing Rehabilitation Standard repairs within the past 10 years, unless there is a significant percentage of improvement, or a different type of improvement from the previous rehab project. For example, if a housing rehab received structural repairs such as new construction or improved plumbing, the same unit may be included in a new project with the primary activity to improve energy efficiency within 10 years.

8.43 Environmental Consideration for Construction Projects

Applicants are advised to contact the Virginia Department of Historic Resources (DHR) early in the project planning process. DHCD staff will advise applicants on how to incorporate DHR's comments into the Environmental Review process.

8.44 Design-Build Projects

Design-build projects do not readily lend themselves to compliance with federal and state procurement requirements, particularly open bidding requirements; therefore, DHCD reserves the

right to deny funding based on this type of project structuring. If design-build is currently the only option a locality is considering, DHCD should be contacted early in the project development stage to provide advice on alternatives.

8.45 Force Account

DHCD encourages the use of competitive procurement methods for all phases of project activities. However, some work may be performed more efficiently and economically by using existing governmental employees and equipment. Performing work via this procedure is referred to as “force account”. The grantee must request approval from DHCD in writing prior to the performance of any work. Contact DHCD for further guidance if you are interested in the possibility of utilizing force account for your project.

Appendix A – Virginia CDBG Eligible Localities

Table 5: Virginia CDBG Eligible Localities

Cities	Counties				
Buena Vista	Accomack	Charlotte	Greensville	Montgomery	Rockingham
Covington	Albemarle	Clarke	Halifax	Nelson	Russell
Emporia	Alleghany	Craig	Hanover	New Kent	Scott
Fairfax	Amelia	Culpeper	Henry	Northampton	Shenandoah
Falls Church	Amherst	Cumberland	Highland	Northumberland	Smyth
Franklin	Appomattox	Dickenson	Isle of Wight	Nottoway	Southampton
Galax	Augusta	Dinwiddie	James City	Orange	Spotsylvania
Lexington	Bath	Essex	King and Queen	Page	Stafford
Manassas	Bedford	Fauquier	King George	Patrick	Surry
Manassas Park	Bland	Floyd	King William	Pittsylvania	Sussex
Martinsville	Botetourt	Fluvanna	Lancaster	Powhatan	Tazewell
Norton	Brunswick	Franklin	Lee	Prince Edward	Warren
Poquoson	Buchanan	Frederick	Louisa	Prince George	Washington
Salem	Buckingham	Giles	Lunenburg	Pulaski	Westmoreland
Williamsburg	Campbell	Gloucester	Madison	Rappahannock	Wise
	Caroline	Goochland	Mathews	Richmond	Wythe
	Carroll	Grayson	Mecklenburg	Roanoke	York
	Charles City	Greene	Middlesex	Rockbridge	

Towns					
Abingdon	Cedar Bluff	Edinburg	Keller	Pamplin City	Stony Creek
Accomac	Charlotte Court H.	Elkton	Kenbridge	Parksley	Strasburg
Alberta	Chase City	Exmore	Keysville	Pearisburg	Stuart
Altavista	Chatham	Farmville	Kilmarnock	Pembroke	Surry
Amherst	Cheriton	Fincastle	La Crosse	Pennington Gap	Tangier
Appalachia	Chilhowie	Floyd	Lawrenceville	Phenix	Tappahannock
Appomattox	Chincoteague	Fries	Lebanon	Pocahontas	Tazewell
Ashland	Claremont	Front Royal	Louisa	Port Royal	The Plains
Bedford	Clarksville	Gate City	Luray	Pound	Timberville
Belle Haven	Cleveland	Glade Spring	Madison	Pulaski	Toms Brook
Berryville	Clifton Forge	Glasgow	Marion	Remington	Troutdale
Big Stone Gap	Clinchco	Glen Lyn	McKenney	Rich Creek	Troutville
Blackstone	Clinchport	Gordonsville	Melfa	Richlands	Urbanna
Bloxom	Clintwood	Goshen	Middletown	Ridgeway	Victoria
Bluefield	Coeburn	Gretna	Mineral	Rocky Mount	Vinton
Boones Mill	Colonial Beach	Grottoes	Monterey	Rural Retreat	Virgilina
Bowling Green	Courtland	Grundy	Montross	Saltville	Wachapreague
Boyce	Craigsville	Halifax	Mount Crawford	Saxis	Wakefield
Boydton	Crewe	Hallwood	Mount Jackson	Scottsburg	Warrenton
Boykins	Culpeper	Haysi	Narrows	Scottsville	Warsaw
Branchville	Damascus	Hillsville	Nassawaddox	Shenandoah	Washington
Bridgewater	Dayton	Honaker	New Castle	Smithfield	Waverly
Broadway	Dendron	Hurt	New Market	South Boston	Weber City
Brodnax	Dillwyn	Independence	Newsoms	South Hill	West Point
Brookneal	Drakes Branch	Iron Gate	Nickelsville	St. Charles	White Stone
Buchanan	Dublin	Irvington	Onancock	St. Paul	Windsor
Burkeville	Duffield	Ivor	Onley	Stanardsville	Wise
Cape Charles	Dungannon	Jarratt	Orange	Stanley	Woodstock
Capron	Eastville	Jonesville	Painter	Stephens City	Wytheville

Appendix B – CDBG Citizen Participation

For All Potential Local Government Applicants:

It is important that community development projects carried out wholly or in part with Virginia CDBG funds involve extensive citizen participation during the application development process. Local citizen participation should be encouraged throughout the process of developing a CDBG Grant application. In particular, participation by LMI residents of the project service area or a slum and blight area should be encouraged. Participation is encouraged prior to submitting a Planning Grant application, but there are no firm requirements.

The following steps, however, are required for each local government wishing to submit a CDBG Grant application, regardless of project type. Applicants who cannot document compliance with the following public hearing requirements will not be eligible for a CDBG award.

Public Hearing Requirement

At a minimum, at least **two public hearings** must be held during the CDBG Grant application development period.

- The two hearings must, at a minimum, be held one week apart.
- Advertisements for the two public hearings must be published separately. Applicants may not only publish one advertisement that includes information on both public hearings.
- Both public hearings must be held after January 1 of the year preceding application submission (ex. January 1, 2024, for an application submitted during the 2025 program cycle). In the case of the same applications being resubmitted within 12 months of prior application, applicants must hold at least one public hearing to include information on updated scope, budget, and project beneficiaries.
- Files must contain documentation verifying the hearings were held. This **must** include, at a minimum, the list of attendees, minutes of the hearings, and two (2) public notices for each public hearings (i.e. advertisement and other method of notifying citizens).
- For regional applications, each participating locality must hold two public hearings as described above.
- Applicants must provide timely written answers to written comments and grievances, within 15 working days where practicable.

Each hearing must be held after adequate notice as described below:

Notice of Public Hearings

Advertisement must be made in a non-legal, locally-circulated newspaper with the largest general circulation at least seven days prior to each hearing. The public hearing notices must provide the address, phone number, TDD, and times for submitting comments and grievances to the applicant locality. If publishing in a weekly paper, be sure the ads are published in such a manner as to comply with the requirements outlined here.

At least one other type of announcement must be done for each public hearing (examples below), at times and locations convenient to potential or actual beneficiaries, and with accommodation for the handicapped.

- Advertisement through local radio broadcast and/or television stations;
- Distribution of flyers in LMI areas and in the proposed service area(s);
- Announcements at local community organization meetings; or,
- Announcements through local churches and community centers located in LMI and proposed project areas.

First Public Hearing

The first hearing must be held early in the CDBG Grant application development process to identify the applicant's community development and housing needs, the range of eligible project types funded through the CDBG program and the amount of money available to the applicant, as well as the applicant's past performance (if applicable) in the CDBG program during the previous five years. At a minimum, citizens should be furnished with information concerning the amount of funds available (including program income) for proposed activities and the range of activities that may be undertaken, including the estimated amount to be used for activities that will benefit LMI persons, the proposed CDBG activities likely to result in displacement, and plans for minimizing displacement of persons as a result of the CDBG project, and plans to assist persons actually displaced by the project.

Between the two hearings applicants must make available to the public a fact sheet or application summary that identifies the proposed activities and objectives for the project and identifies who will be affected by these activities. Citizens must have an opportunity to comment on this document.

Second Public Hearing

A second hearing must be held for public review of and comment on the final draft of the CDBG Grant application. A final draft or detailed fact sheet presenting the key activities and eligible benefits of the project must be available at the second public hearing, if not before.

Additional Citizen Participation Requirements

Local citizens should be provided with reasonable and timely access to local meetings, information, and records relating to the applicant locality's proposed and actual use of CDBG funds. Meetings should be conducted according to the standards established for the public hearings cited below. CDBG-related information and records must be made available to interested citizens with the availability of such items announced at least in the same manner as the public hearing advertisements.

Technical assistance must be provided to groups representative of persons of LMI that request such assistance in developing applications for use of CDBG funds. The level and type of assistance is determined by the applicant's locality but must include at least consultation and written communication between a local contact person responsible for the CDBG applications'

development and interested groups. The name, address, and telephone number of the contact person(s) must be made available upon request and announced at all public meetings held on the CDBG applications.

Where 5 percent or more of public hearing participants can be reasonably expected to be non-English speaking residents, applicants must take measures to accommodate their needs. Census data on the proposed project area and on the locality as a whole should be consulted to determine if this provision applies in a particular instance. Meeting this provision requires, at a minimum, having printed material available in the non-English language(s) and retaining the services of an interpreter(s) for all CDBG-related meetings and public hearings.

An applicant with a current CDBG Grant project to which activities are to be added, deleted, or substantially changed (that is, substantial changes made in terms of purpose, scope, location, or beneficiaries) must provide local citizens through a public hearing with an opportunity for comment on such changes, after the locality has informed citizens of the changes at least seven days prior to the hearing.

Applicants must keep documentation of how they met the above requirement in their CDBG files for verification. This documentation should include:

- Documentation of the Public Hearing advertisements,
- Documentation of the second method used to notify citizens of the public hearings,
- List of attendees,
- Minutes from the first hearing showing:
 - Available funds,
 - Available activities,
 - Past use of CDBG funds,
 - Minutes from the second hearing showing:
 - Description of proposed activities,
 - Plans to minimize displacement and assist displaced persons (if applicable), and
 - Any requested special accommodations.

None of the foregoing may be construed to restrict the responsibility or authority of the local government applicant in the development and execution of its CDBG Grant project.

Appendix C – Virginia CDBG Acronyms

AAP – Annual Action Plan

AARST – American Association of Radiation Scientists and Technologists

AMI – Area Median Income

ANSI – American National Standards Institute

ARC – Appalachian Regional Commission

AVMS – Advancing Virginia Main Street

BABA – Build America, Buy America Act

BAP – Buy America Preference

BDR – Business District Revitalization

CAMS – Centralized Application and Management System

CDBG – Community Development Block Grant

DEQ – Department of Environmental Quality

DHCD – Virginia Department of Housing and Community Development

DHR – Virginia Department of Historic Resources

DPOR – Virginia Department of Professional and Occupation Regulations

EDS – Economic Development Strategy

EPA – Environmental Protection Agency

ERP – Economic Restructuring Plan

ERR – Environmental Review Record

EMS – Exploring Main Street

FPS – Facilitated Planning Session

HUD – U.S. Department of Housing and Urban Development

LMI – Low- and Moderate- Income

MMS – Mobilizing Main Street

NRPP – National Radon Proficiency Program

NRSB – National Radon Safety Board

PDC – Planning District Commission

PER – Preliminary Engineering Report

PMT – Project Management Team

RC – Regional Commission

UN – Urgent Need

VDH – Virginia Department of Health