

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF FINANCIAL ASSISTANCE****Community Development Block Grant Program**

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**CDBG MANAGEMENT MEMORANDUM**
Community Development Block Grant Program - Memorandum Number 14-07

December 1, 2014

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

FROM: Thomas Brandeberry, CDBG Section Chief

SUBJECT: Updated Low/Moderate Income Summary Data for the State CDBG Program

The purpose of this Management Memorandum is to provide policy guidance for State CDBG non-entitlement jurisdictions regarding the updated 2014 Low/Moderate Income Summary Data (LMISD), as required by HUD CPD Notice 14-10, issued June 10, 2014.

Starting **December 1, 2014** and going forward, eligibility for Low/Moderate Area (LMA) activities, whether funded through a Supplemental activity, a Program Income Waiver or a NOFA, must be qualified on HUD's updated 2014 LMISD. LMA activities approved prior to December 1, 2014 are not affected unless on or after the effective date of this memo **the activity changes, causing a reevaluation of the eligibility and/or the national objective of the activity. In that case the activity must re-qualify based on the updated LMISD.**

Note: The updates to the LMISD will trigger certain revisions to the State's Income Survey Methodology. The revised Income Survey Instructions and corresponding Management Memorandum will be published before December 31, 2014.

Background:

The LMISD support the Community Development Block Grant (CDBG) National Objective of providing benefit to low- and moderate-income persons on an area basis (LMA). The LMISD are derived from special data tabulations provided to the State CDBG Program (State) by HUD, who receives the data from the U.S. Census Bureau. The special tabulations include data on family income, which were based on the Decennial Census in previous years and are now based upon the American Community Survey (ACS) data. Per HUD, the ACS 5 year file will be used to calculate the LMISD, thus the State CDBG Program will update its Low/Mod data tables on that cycle as well.

Publication

HUD issued Notice CPD 14-10, dated June 10, 2014, announcing the updated datasets being used to calculate the LMISD data. The Department strongly encourages all CDBG jurisdictions and practitioners to review this notice. It can be accessed via:

<http://portal.hud.gov/hudportal/documents/huddoc?id=14-10cpdn.pdf>

Updated LMISD Excel files are posted on HUD's Low/Mod Summary Data page:

<https://www.hudexchange.info/manage-a-program/acs-low-mod-summary-data/>

- For jurisdiction-wide Low/Mod data, as well as for data for Census Designated Places (CDPs), click on the link "Local Government Summaries By State" on the right hand side of the page, then click on the link for "California". **Note:** Since the county-wide LMISD is for entire counties, which includes all incorporated cities, all county applicants will need to subtract the data for the cities located within their county to find the applicable Low/Mod percentage for the unincorporated county area.
- For Low/Mod data by Census Tract/Block Group, click on the link "All Block Groups By State" on the right hand side of the page, then click on the link for "California"

What it means for State CDBG Non-Entitlement Jurisdictions:

The new HUD LMISD data has resulted in significant changes to some jurisdiction's Low/Mod percentages. Some jurisdictions, who were previously able to qualify some activities under the Low/Mod Area (LMA) National Objective, per the new data, no longer qualify. The new data shows some areas that previously qualified as Low/Mod with 51% or greater Low/Mod population, now show less than 51% Low/Mod. However, in other areas, the reverse is true with the LMA percentage increasing over the prior data. Jurisdictions should pay particular attention to the new LMISD data when deciding which activities to apply for future CDBG funding.

Effective Date for Updated LMISD:

As noted above, the State has established an effective date of **December 1, 2014 (the "Effective Date")** for the updated 2014 LMISD referenced herein. As of December 1, 2014, jurisdictions using LMISD to qualify area benefit activities shall use the updated 2014 LMISD based upon the ACS, notwithstanding the transition policy below. The 2015 awards made under the 2015 NOFA will be evaluated for National Objective based on the new data. The Appendix A for the 2015 NOFA will include this updated data.

All applications for Supplemental Activities and Program Income Waivers *not approved by December 1, 2014* will be reviewed based on the new updated LMISD to qualify their area benefit activities.

Transition Policy:

After December 1, 2014, if the service area of an area benefit activity no longer contains at least 51% low- to moderate-income persons, then starting and/or finishing the activity is to be governed by the following guidance:

The Four Part Test:

The Department may not use the *prior* LMISD to qualify jurisdictions for area benefit when the CDBG funds are awarded/approved for a specific activity on or after December 1, 2014, regardless of the source year of the funding. This applies to both Program Income and Grant funds. CDBG funds are considered “awarded” when the Department officially announces the CDBG award; and, for the purpose of this Memorandum, there must be a relationship established before the effective date between the award and the specific area benefit activity, with both a clearly defined service area and a specific amount of funds reserved for the activity. For 2014 awards, the eligible activities have been determined and therefore these LMISD changes do not affect the awarded grant funds; however, any additional supplemental activities, not already approved will be reviewed based on the new LMISD data.

In order for the prior LMISD to remain in use, an activity must meet a four-part test which requires:

- an award/approval (waivers or supplemental activities) before the effective date,
- a specific activity,
- a specific amount, and
- a clearly defined service area.

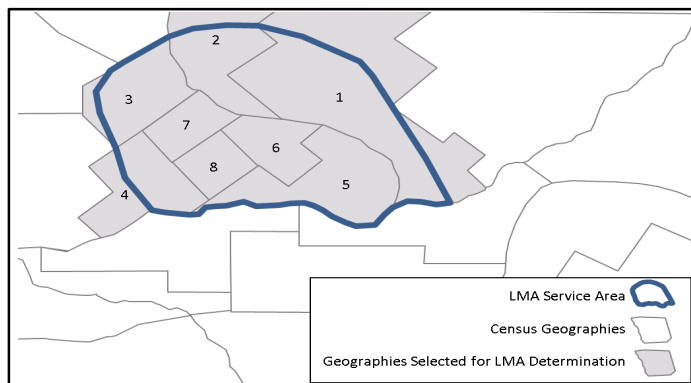
Additionally, “CDBG funds,” per 24 CFR 570.481, include both grant funds and program income; therefore, grant funds and program income may be interchanged when funding an activity qualified on prior LMISD, provided that the total amount awarded for that activity, prior to December 1, 2014, is not exceeded. (Jurisdictions may refer to the Cost Overruns section on the HUD CPD Notice 14-10 for additional information).

Service Area Geography:

Jurisdictions are not to prorate the data when a given service area includes only a portion of a particular geography from either of our published datasets. The LMA determination from LMISD shall be made based on the entirety of the data of the census geography which the service area both completely encloses and partially overlaps.

For example, in Figure A below, the LMA service area completely encloses geographies 5, 6, 7 and 8; additionally, geographies 1, 2, 3 and 4 are partially overlain by the service area. The entirety of the data for all geographies 1 through 8 must be included in the determination of LMA compliance in order to use the LMISD.

Figure A



If the geographies provided do not adequately represent the service area, jurisdictions may consider conducting a survey to determine LMA compliance or reconsider the National Objective and activity.

When using multiple Census geographies in the determination of LMA compliance of a service area, jurisdictions are reminded that percentages shall not be averaged across multiple geographies. The proper calculation is as follows:

$$\text{LMI \%} = \frac{(\text{LMI Persons Geography A} + \text{LMI Persons Geography B} + \text{LMI Persons Geography C...})}{(\text{LMI Universe Geography A} + \text{LMI Universe Geography B} + \text{LMI Universe Geography C...})}$$

For example, a jurisdiction wants to qualify an LMA service area incorporating two Census block groups. Block group 1 is 80% LMI and has a very small population, 8 LMI persons of a universe of 10 total persons. Block group 2 is 49% LMI and has a large population, 490 LMI persons of 1,000 total persons. Correctly performing the percent LMI calculation can mean the difference between this area qualifying or not. If 80% and 49% are averaged, the result is 64.5% LMI, which is incorrect. The correct calculation is 498 persons divided by 1,010 persons, resulting in 49.3% LMI.

There is an additional item to note for advanced users that choose to reconstruct areas from the Summary level 150 geographies, specifically when those block groups overlay multiple jurisdictional boundaries. Previously, the Summary level 090, split-block group layer, allowed HUD to associate a portion of a single block group with one jurisdiction, and another portion of that same block group with a different jurisdiction. However, since the split-block group layer is not provided, HUD now creates the LMISD block group file with duplicate block group records for each block group that overlays one or more jurisdictions, thus associating that block group with each of the jurisdictions who share it. Therefore, when performing analyses on the block group data, it is important to address this by either removing duplicate records for the same block group or establishing one-to-many data relationships, as appropriate.

Questions concerning this Management Memo should be directed to Stoyan Elitzin at (916) 263-1622 or stoyan.elitzin@hcd.ca.gov.