CDBG projects can often be considered as activity delivery costs of the respective projects to which they pertain.

In regard to the comment that the proposed provision should be extended to include all "CDBG-eligible" economic development projects rather than just otherwise "CDBG-assisted" projects, the Department has determined that this recommendation has merit. Under the CDBG program, grant funds may be used to assist an activity "in whole or in part," as noted at § 570.200(a) of the Entitlement regulations. There are many cases in which "activity delivery" costs are the only portion of an activity's overall costs that are paid for with CDBG funds. Thus, § 570.203(c) has been revised in this final rule to reflect the recommended change. In order to qualify under this provision, job training and placement activities must still constitute activity delivery costs for an economic development project that would otherwise be eligible for further assistance under § 570.203. HUD considers this to permit such training activities only where the grantee has an agreement with a specific business(es) to actually employ the person(s) trained. This provision does not authorize programs that will merely create a pool" of trained persons from which a business(es) may possibly hire. (Such activities must continue to qualify as public service activities under § 570.201(e) of the Entitlement regulations unless they meet the requirements of the new § 570.201(o) or § 570.204.) It should also be noted that the use of CDBG funds for activity delivery costs qualifying under § 570.203(c) constitutes CDBG assistance to the related economic development project, regardless of the funding sources for any other portion of the project. Thus, that project becomes subject to all applicable CDBG requirements, including national objective and public benefit requirements.

In regard to the comment that the job training and placement activities permitted under this provision should be limited to actual low- and moderateincome persons, the Department has decided not to adopt this recommendation. Such a proposal confuses the distinction between eligibility and national objective requirements. As activity delivery costs, job training and placement activities carried out under § 570.203(c) are considered part of the economic development project to which they relate. Thus, they are generally considered to qualify under the same

national objective as that economic development project. Such CDBG special economic development activities can qualify under a variety of national objective provisions; they are not limited to creating or retaining jobs for low- and moderate-income persons.

This comment has raised an issue, however, that HUD found to merit further consideration. Under existing regulations, with very few exceptions, the majority of persons benefiting from a CDBG-assisted activity must be lowand moderate-income persons. HUD is aware of various proposals under which certain entities have indicated a willingness to train low- and moderateincome persons for jobs and/or provide such persons with other employment opportunities, but these entities cannot agree that 51 percent of all assisted persons will be low or moderate income. HUD believes that such proposals can often provide valuable opportunities for employment of lowand moderate-income persons and that a way should be found to permit CDBG funds to assist such efforts. Thus, HUD is amending the low- and moderateincome limited clientele national objective requirements in this final rule [with a new § 570.208(a)(2)(iv) in the Entitlement regulations and a new  $\S 570.483(b)(2)(v)$  in the State regulations] to authorize the use of CDBG funds for such activities that provide training and/or other employment support services in limited circumstances. This provision is discussed more fully in detail in the national objective portion of this preamble.

There also appears to be some general confusion regarding what can be considered as activity delivery costs and what must be classified as general administration subject to the 20 percent cap. Apart from the job training and placement activities discussed above, most of the remaining types of activities delineated in the proposed § 570.203(c) are already considered to be activity delivery costs eligible under the currently-existing § 570.203. The proposed new paragraph only provides a more specific statement of this point. One commenter specifically took issue with the outreach and monitoring portions of this provision, arguing that such activities should be considered part of general administration. HUD agrees that "monitoring" should be considered a general administration activity, and thus, that term has been deleted from the new § 570.203(c) in this final rule. However, reasonable outreach efforts by grantees to obtain applicants for available assistance and the direct management of resulting

activities are routinely considered part of the delivery cost of such activities. The commenter compares the above type of outreach and marketing efforts to activities designed to help inform lowincome residents about CDBG. If that reference is to activities that are designed to make residents generally aware of the CDBG program and how they may participate in determining what types of activities the community funds, such a comparison is imprecise. Rather, the type of outreach and marketing efforts included under the new § 570.203(c) would be comparable to activities designed to make residents aware of how they could apply for assistance under specific activities, such as a housing rehabilitation program.

## Special Activities by Community-Based Development Organizations (CBDOs)— § 570.204 (Section 105(a)(15) of the Act)

Issue. Six commenters addressed the eligible activities and project definition sections of the proposed rule changes at § 570.204 (a) and (b). Most of these commenters requested clarification of the proposed definitions and discussion of eligible activities. (2 national associations, 1 local government agency, 1 private individual, and 2 HUD Field staff persons)

Response. HUD has not accepted the recommendation from one national association to add language to the beginning of § 570.204(a) to specifically state that the recipient may provide CDBG funds to a subrecipient under this section "if permitted by state or local law." Compliance with applicable state or local laws is a requirement for recipients in carrying out all CDBG activities; thus, there is no need to make a special statement here.

In response to the various requests for clarification of the definitions for the projects made eligible by Section 105(a)(15) of the Act, HUD has made minor changes to those definitions included in § 570.204(a) (1), (2), and (3) in this final rule. For the definition of a "community economic development project," this includes a cross-reference to the Consolidated Plan rule at 24 CFR 91.1(a)(1)(iii), which describes the types of activities HUD generally considers to aid in "expanding economic opportunities," which is part of the primary objective of the CDBG program as delineated at Section 101(c)(1) of the Act. The definition also notes the general conditions under which the construction or rehabilitation of housing may be included as part of a "community economic development project."