One commenter, a private citizen, raised a question as to whether a 'project'' qualifying under § 570.204 included only activities for which there is funding committed and which are occurring now or whether it could include proposed future activities for which no funding has yet been secured. HUD has determined that specific limits on the scope of a project cannot easily be prescribed in this regard. Thus, it has not been addressed in the text of this final rule. HUD expects recipients to use a plausible interpretation of the term "project" and only include activities that are to be carried out within a reasonable period of time. Such an interpretation should at least exclude activities which have not yet received necessary conceptual approvals from the local government.

HUD has also revised the reference to permitted services under § 570.204. Two commenters, a private citizen and a HUD Field staff person, requested clarification of this provision. Also, under a similar expansion of service activities as part of the new microenterprise eligibility category at § 570.201(o), one of those same commenters raised a concern about potential abuse of the expanded flexibility if the requirements were not clearly defined. HUD has reconsidered the proposed provision and has determined that it is appropriate to limit the type of services that may be excluded from the public service cap by qualifying under this section to those (1) that are specifically designed to increase economic opportunities by supporting the development of permanent jobs, or (2) services of any type carried out under this section pursuant to a strategy approved by HUD under the provisions of § 91.215(e). To reflect this change, the proposed paragraph § 570.204(a)(5) has been deleted, the proposed paragraph § 570.204(b)(2) has been renumbered to (b)(3), and a new paragraph § 570.204(b)(2) has been added to this final rule. In the State program regulations, proposed § 570.482(c)(2) has been deleted, and a new paragraph § 570.482(d) has been added to discuss the eligibility of employment-related services and microenterprise support

Issue. One commenter recommended that the Department consider the eligible project carried out by the qualified organization under § 570.204 to be a single eligible activity instead of "only a loose grouping of other eligible activities." The commenter recommends that this approach be reflected throughout the regulations, including national objective requirements, the economic development guidelines, and

record keeping requirements. (1 HUD Field staff person)

Response. In regard to eligibility requirements under § 570.204, it already is the overall project that is assessed to determine if it qualifies as one of the three types of projects authorized by this section. Problems arise when trying to apply this approach for assessing compliance with national objective requirements, economic development guidelines, and other applicable requirements, however, because of statutory requirements that must be applied to specific types of activities that may be part of the qualified project. For example, Section 105(c)(3) of the Act limits the manner in which any housing activities may be considered to benefit low- and moderate-income persons. Also, Section 105(e) of the Act, as added by Section 806(a) of the 1992 Act, subjects economic development activities to compliance with the public benefit requirements. Beyond such statutory restrictions, the Department also believes that requiring detailed information on what the organization is actually doing with the CDBG funds helps ensure accountability to both the local citizens and HUD. However, HUD has determined that the commenter's recommendation does have a certain degree of merit. Thus, HUD has made certain changes to the CDBG regulations in this final rule to ease grantees' burden in tracking national objective compliance for certain activities that may qualify for eligibility under this category. These changes are discussed further in the respective national objective portions of this preamble.

Issue. In regard to the types of entities that qualify under § 570.204, one commenter noted that such entities are commonly referred to by practitioners as "community-based development organizations (CBDOs)" or "community development corporations (CDCs)." (1 national association)

Response. HUD has determined that is appropriate, in adopting a single generic name for the entities that may qualify under § 570.204, to use a name that is commonly understood by practitioners. It was also apparent from various comments that the proposed rule's use of the term "local development corporations (LDCs)" in this regard caused some confusion with some commenters thinking HUD was 'picking" one of the entities in the current rule over the others. Use of the 'CDC" term noted by the above commenter could create confusion with existing entities funded under other Federal programs. Therefore, to reduce confusion, the term "community-based development organization (CBDO)" is

now used in this final rule as the generic term to describe all entities that may qualify under § 570.204.

Issue. Five commenters addressed the proposed revision to the definition of the term "subrecipient" at § 570.500(c). The proposed revision was intended only to expand that current provision to include for-profit entities that are now specifically authorized by statute to carry out microenterprise assistance activities under the new eligibility provision implemented in this final rule by a new §570.201(o) in the Entitlement regulations [Section 105(a)(23) of the Actl. Most of the commenters recommended that HUD not consider any entities carrying out activities under the new microenterprise category as "subrecipients" but rather as "end beneficiaries." These commenters also requested a similar change in classification for entities receiving CDBG assistance under § 570.204 of the **Entitlement regulations [Section** 105(a)(15) of the Act]. Other commenters asked only for a clarification of the proposed revision to § 570.500(c). (1 local government agency, 1 development organization, and 3 HUD Field staff persons)

Response. The comments regarding entities carrying out activities under the new microenterprise category will be discussed later in this preamble in further discussion of the revision to § 570.500(c) in this final rule. This specific section will only respond to these comments as they relate to entities receiving CDBG assistance under § 570.204 of the Entitlement regulations (Section 105(a)(15) of the Act). The Department has re-examined the status of these entities within the context of the statutory language at Section 105(a)(15). This section of the statute authorizes the provision of CDBG assistance to certain qualified entities to carry out specific types of projects. Upon review, HUD has determined that the comments questioning the status of these entities as subrecipients have merit. The Department has determined that, similar to for-profit businesses carrying out economic development projects, the entities carrying out qualified activities under § 570.204 (Section 105(a)(15) of the Act) can be considered not to be an intermediary organization in the grant assistance chain acting for the grantee, but rather as being specifically eligible to receive CDBG assistance itself. While these entities are not true "end beneficiaries" as the commenters argue (that term applies to the persons served by the activities), they are not strictly intermediaries either. Thus, the Department has determined that such