

Eligible Entities as CBDOs

In order to qualify as a CBDO, an entity must meet the criteria specified at §570.204(c)(1), (2), or (3). Generally, this means that the entity must:

- Be organized under State or local law to carry out community development activities. For entitled communities, the entity must operate primarily within an identified neighborhood within the grantee's jurisdiction.
- Maintain at least 51% of its governing body's membership to be made up of any combination of the following:
 - low- and moderate-income residents of its area of operation,
 - owners or senior officers of private establishments and other institutions located in and serving its geographic area of operation, or
 - representatives of low- and moderate-income neighborhood organizations located in its geographic area of operation.
- Require that members of the governing body must be nominated and approved by the organization's general membership or by its permanent governing body (except as otherwise authorized in §570.204(c)(1)(v)).
- Have as its primary purpose the improvement of the physical, economic, or social environment of its geographic area of operation, with particular emphasis on the needs of low- and moderate-income persons.
- Be either nonprofit or for-profit, but, if a for-profit, only incidental monetary benefits to its members are allowed.
- Not be an agency or instrumentality of the grantee, and not permit more than one-third of its governing body to be appointed by or consist of elected or other public officials or employees of the grantee (or of any other entity that could not qualify as a CBDO), even if such persons would otherwise meet the requirements described above.
- Not be subject to the reversion of its assets to the grantee upon dissolution (although a grantee may specify as a condition of providing CDBG funds to the entity that any assets related to the specific CDBG assistance being provided must revert to the grantee, whether or not the grantee designates the CBDO as a subrecipient. (Application of the reversion of assets clause under §570.503(b)(8) would be required for any CBDO designated as a subrecipient and would function to permit the specific assets purchased with the CDBG funds to revert back to the grantee. This would not constitute a violation of the §570.204 requirement.)
- Be free to contract for goods and services from vendors of its own choosing (a sign that the entity is not an agent of the grantee).