

**To:** Non-entitlement Communities & Grant Administrators

**From:** CDBG Division

**Proposed Effective Date:** January 12<sup>th</sup>, 2026.

**RE:** Lien and Covenants Requirements and Change of Use Policy for CDBG Funded Real Properties.

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### **A. Purpose**

This policy establishes standards for the use of real property acquired or improved with Community Development Block Grant (CDBG) funds provided by the Office of Community and Rural Affairs (OCRA), including requirements for liens and covenants. It ensures compliance with federal regulations under 24 CFR 200.88, 24 CFR 570.489, and 24 CFR 570.505, and applies to all units of general local government and their subrecipients.

### **B. Applicability**

This policy applies to all real property under the control of a unit of general local government that was acquired or improved in whole or in part with CDBG funds exceeding the \$25,000 threshold, in accordance with 24 CFR 570.505, regardless of whether subrecipients are involved. Covered projects include Facilities Program projects such as community facilities, libraries, and museums, as well as Blight Clearance Program projects such as green spaces and empty lots. These standards and requirements remain in effect from the date CDBG funds are first expended on the property until five years after the closeout of the grant.

### **C. Five Year Requirement**

All real estate acquired or improved with CDBG funds provided by the Office of Community and Rural Affairs must be dedicated to, and maintained for, the use set forth in the executed grant agreement with the unit of general local government and the State of Indiana, in compliance with 24 CFR 570.505.

- These requirements remain in effect from the date CDBG funds are first expended on the property until five (5) years after the closeout of the CDBG award.
- The five-year period begins on the date the Financial Settlement, Expenditure & Administrative Closeout Report (“Closeout Report”) is issued by OCRA or the Lieutenant Governor Central Business Office- Division of Grant Services and continues until the issuance of the Certification of Completion.
- Lien and covenant requirements remain in effect for the same five-year period, until all CDBG requirements are fully met.

### **D. Recipient & Subrecipients Responsibilities**

The Recipient and Subrecipient must:

- Execute a lien and covenants agreement on any CDBG-funded property, regardless of whether a subrecipient is involved in the project. This document must be provided to the Office of Community and Rural Affairs at Pre-release of funds.

- Lien and covenants agreement must be properly executed and recorded in the county of jurisdiction.
- Pay off and properly record all debts or legal claims on the property

The Recipient and Subrecipient must not:

- Sell or transfer the property without prior written approval from OCRA
- Use the property to secure a loan without prior written approval from OCRA

### **E. Enforcement**

If the real estate is not maintained in accordance with the Office of Community and Rural Affairs CDBG program requirements:

- OCRA or Grant Services will notify the Recipient and Subrecipient in writing and provide 60 days to correct the violation(s).
- If the Recipient or Subrecipient fails to demonstrate a good faith effort to comply within the 60-day period, OCRA may enforce this policy by any appropriate means, including but not limited to initiating legal or equitable action in a court of competent jurisdiction

### **F. Property Use Restrictions and Change of Use**

The Recipient must not change the use or planned use of the property from the purpose use specified in the executed grant agreement with OCRA, unless the Recipient submits a formal written request to OCRA and receives approval for the proposed change.

If the change of use occurs after grant closeout but within five years and if OCRA determines that the requested change of use does not qualify as an eligible CDBG activity under 24 CFR 570.208 or 570.483, the Recipient may retain or dispose of the property for the new use only upon reimbursement is made to the State's CDBG program account.

Reimbursement Requirements:

- The reimbursement amount must equal the current fair market value of the property, minus any portion attributable to non-CDBG funds used for acquisition or improvements. The use of reimbursed funds are governed by 24 CFR 570.504(b)(4) or (5), as applicable and any applicable guidance for the Indianapolis HUD field office.
- Once reimbursement is made in full, the property is no longer subject to CDBG regulations or oversight.

Lien Requirements Following Change of Use:

- A liens and Covenants agreement must remain in place if the property undergoes a change of use. If the change of use is ineligible under CDBG regulations, liens may be removed only upon reimbursement to the State's CDBG program in accordance 24 CFR 570.504(b)(4) or (5), as applicable. The five-year lien requirement must remain in effect unless full reimbursement is completed or unless a revised timeline is identified.

### **G. Restrictions on Change of Use**

A Recipient must submit a formal written request to OCRA for any proposed change of use on a CDBG-funded property. Upon receipt, OCRA will provide instructions for processing and completing the change of use, including the requirement that the unit of general local government provide reasonable notice to affected citizens with an opportunity for public comment. OCRA will approve a change of use request only if the proposed new use meets one of the CDBG national objectives and does not involve a building used for the general conduct of government.

Depending on the type of change, OCRA may require additional documentation to demonstrate full compliance with the applicable national objective, pending guidance from the Indianapolis HUD field office.

Throughout the change of use assessment process, grantees must maintain all liens and covenants agreements in place unless reimbursement is made, refrain from implementing any change of use prior to receiving written approval from OCRA, and retain complete documentation of all steps in the project file.

### **Effective Date**

This policy is effective as of January 12<sup>th</sup>, 2026, and will remain in effect until amended, superseded, or rescinded.