

CDBG Float-funded Activities

March 25, 1994

Ms. Valerie B. Jarrett
Commissioner, Department of
Planning and Development
City Hall, Room 1000
Chicago, IL 60602

Dear Ms. Jarrett:

Thank you for your letter of December 8, 1993, in which you request a waiver of the requirement identified in CPD Notice 92-29 regarding information on float-funded activities that is to be publicly-disclosed by a grantee in its final statement of community development objectives and projected use of funds. You have made this request on the basis that the City has developed stringent program guidelines for its Community Development Block Grant (CDBG) Float Loan Financing Program that insulate the City from risk in the case of loan default.

As stated in a letter dated September 9, 1993, from the Director of the Office of Block Grant Assistance, Don I. Patch, to the City's Budget Director, Paul Vallas, the Department of Housing and Urban Development (HUD) is concerned about the risk associated with float-funded activities. However, the Department also believes the law authorizing the CDBG program concerning the final statement and the associated presubmission requirements requires that the statement deal only with how a grantee expects to use CDBG funds it will receive in the next year. Because of this, CPD Notice 92-29 provides that grantees committing funds for more than one year under a float-funded activity need to identify the activities that would be reduced or deleted in order to balance the sources and uses of funds in the final statement.

While the Department has not changed its position on this interpretation of the statute, it is currently considering changing the requirements that were identified in CPD Notice 92-29 for float-funded activities that exceed one year. Based on this and in response to the City's request, the City need not identify the specific activities that would be reduced or deleted to balance the sources and uses of funds for the program year covered by the final statement, provided that, the City's final statement identifies the following information for each float-funded activity that exceeds one year:

- a. the program income expected to be received from each float-funded activity and the year in which it will be received;
- b. a description of the process it will use to select activities to be amended or deleted and how it will involve citizens in that process if a float-funded activity will not generate sufficient/timely program income or should the grantee encounter difficulty in calling an irrevocable line of credit; and
- c. the lender and terms of the irrevocable line of credit obtained for each float-funded activity.

The Department believes that provision of the above information by the City in its final statement is both consistent with the intent of the statute and adequate to protect the rights of citizens without imposing an undue burden on the City.

I hope you will find this responsive to your request.

Very sincerely yours,

Kenneth C. Williams
Deputy Assistant Secretary
for Grant Programs