

Using CDBG Funds to Provide Grants to Property Owners for Exterior Property Improvements

April 29, 1987

Ms. Bess Donaldson
Commissioner
Department of Housing
318 South Michigan Avenue
Chicago, IL 60604

Dear Ms. Donaldson:

This is in response to your letter dated March 6, 1987, requesting a waiver of 24 CFR 570.208(a)(3) for the City of Chicago's Housing Facade Program. The Program uses Community Development Block Grant funds to provide grants of \$1,000 to property owners for exterior property improvements.

Our understanding is that improvements are done on the basis of benefit to low and moderate income areas. The rehabilitation grants are made available to residential property owners, without knowledge of the occupants' household income, within certain neighborhoods. We understand that those neighborhoods have predominately low and moderate income residents, according to Census block group statistics.

A rehabilitation program operated in this way violates not only Block Grant regulations, but also the Housing and Community Development Act of 1974, as amended. Section 105(c)(3) of the Act states--

"Any assisted activity under this title that involves the acquisition or rehabilitation of property to provide housing shall be considered to benefit persons of low and moderate income only to the extent such housing will, upon completion be occupied by such persons."

This section makes it necessary to know the extent to which rehabilitated housing is occupied by low and moderate income persons, if any of the expenditures are to be counted as meeting the national objective of benefiting low and moderate income persons. Given this statutory requirement, granting a waiver of 24 CFR 570.208(a)(3) would not relieve the City of the need to obtain income data from each household assisted. Considering that obtaining such relief was the object of the waiver request, nothing would be gained if it were granted. Therefore, we are denying this waiver.

However, it should be noted that not all of the units rehabilitated under the Housing Facade Program need to qualify under the same national objective. For example, some could qualify under the low and moderate income benefit objective with the balance possibly qualifying under the elimination of slums or blight objective.

Rehabilitation improvements to units in the treatment area that are occupied by households having incomes in excess of low and moderate income might qualify under the elimination of slums or blight

objective. To do so, the treatment area would have to be in a designated slum or blighted area as defined in section 570.208(b)(1), the housing must meet a local definition of substandard, and other requirements of that provision would have to be observed.

We understand that the City is concerned about the difficulties involved in obtaining income information from each assisted household. To be as unobtrusive as possible and yet meet the low/moderate income benefit requirement, the City could use a resident's verifiable certification that the total household income is within the applicable income limitation.

Currently, the Program has not been shown to be in compliance with the Act. Program activity should be halted unless compliance can be demonstrated in its present design or until the program is redesigned to become conforming.

Sincerely,

(signed)

Jack R. Stokvis,
General Deputy Assistant Secretary