

Reimburse New Grantee Start-up Pre-award Costs

January 27, 1997

MEMORANDUM FOR: Joseph J. O'Connor, Acting Director, Community Planning and Development, 3BD

FROM: Andrew Cuomo, Assistant Secretary for Community Planning and Development, D

SUBJECT: Waiver Requests to Reimburse New Grantee Start-Up Pre-Award Costs, Community Development Block Grant (CDBG) Program, Howard County and Harford County, Maryland

This is in response to your memoranda of November 8, 1996, requesting a waiver of §570.200(h)(1)(i) of the CDBG regulations, reimbursement for pre-award costs, for two Maryland grantees new to the CDBG program, Howard and Harford Counties. Howard County's first consolidated plan was approved on July 16, 1996, with a program year start date of July 1, 1996. The County has not as yet drawn down any CDBG funds. Harford County is a new grantee for program year 1997 and will soon begin its consolidated plan planning process. In both cases, a waiver from Headquarters is needed to allow these grantees to recover, through reimbursement from the CDBG program, costs incurred or to be incurred in the preparation of the consolidated plan and related start-up activities. At the time of the cost incurrence, such activities were not included in a consolidated plan action plan as required by §570.200(h)(1)(i).

The change in the provisions regarding CDBG pre-award costs published in the Federal Register of November 9, 1995, did not take into account the needs of communities new to the program. While grantees with ongoing CDBG funding normally program funds for preparation of a future year's consolidated plan into a current year action plan, this option is not available to those localities who become entitlement communities for the first time. There are substantial start-up costs which must be incurred in anticipation of participation, such as those described by Harford County, for preparation of public information materials, purchase and installation of computer equipment to use the Consolidated Planning System software, and development of the fair housing analysis of impediments.

The regulation in the General HUD Program Requirements at 24 CFR 5.110 provides that "upon determination of good cause, the Secretary may, subject to statutory limitations, waive any provision of this title" of the regulations. It is not HUD's intention to put the financial burden for program start-up costs on local resources by prohibiting reimbursement from program funds. Therefore, I conclude that failure to grant the requested waiver would result in an undue hardship and adversely effect the purposes of the Housing and Community Development Act of 1974, as amended, and hereby waive the provisions of §570.200(h)(1)(i).

Please advise the grantees, however, that the other provisions of §570.200(h) remain in effect. In addition, as you have pointed out to these grantees, planning and administrative costs are limited to 20% of the CDBG grant. These counties should further be advised that reimbursement by HUD is conditional upon an approved consolidated plan that contains these activities and these activities being in

compliance with the statutory and regulatory provisions in effect at the time of the award of the grant from which funds are derived.

If you have any questions concerning this waiver, please contact the Entitlement Communities Division at (202) 708-1577.