

## Reimbursement of Pre-award Costs

MEMORANDUM FOR: Michael F. Merrill, Director, Community Planning and Development Division, Buffalo Area Office, 2CD

FROM: Jacquie M. Lawing, General Deputy Assistant Secretary, D

SUBJECT: Request for Waiver of 24 CFR 570.200(h)  
Reimbursement for Pre-Award Costs-Housing Visions Unlimited, Inc., Community Development Block Grant (CDBG) Program City of Syracuse, New York

This is in response to your memorandum of December 2, 1996, in which you recommend approval of the City of Syracuse's request for a waiver of 24 CFR 570.200(h)(1)(i) to allow the City to use CDBG funds to reimburse a local non-profit organization. Housing Visions Unlimited, Inc., incurred CDBG-eligible activity delivery costs, particularly those referenced at 24 CFR 570.201(k) and 24 CFR 570.202. While this use of CDBG funds by Housing Visions was not included in the City's original 1996 consolidated plan action plan, CDBG funds had been committed for the housing projects themselves through the City's Special Housing Development Fund.

The City requested the waiver to permit it to reallocate these previously committed CDBG funds to Housing Visions for reimbursement of its administrative expenses incurred in August, September and October of 1996. These CDBG funds would be provided to Housing Visions as a \$100,000 short-term loan. The City amended its consolidated plan on October 28, 1996, to specifically include Housing Visions' activity delivery costs.

Housing Visions has substantially rehabilitated eighteen buildings housing fifty-eight low income families. HOME and CDBG funds have been committed by the City to assist with project financing for Housing Visions projects which primarily use Low Income Housing Tax Credits to fund the rehabilitation. Housing Visions experienced a severe cash flow problem early in 1996 due to delays in the allocation of tax credits from the State of New York. The tax credits would have realized substantial development fees, which Housing Visions depends on to meet its operating expenses.

Upon review of all the information provided, this Office has determined that, in this case, a waiver of the pre-award cost provisions at 24 CFR 570.200(h)(1)(i) is not necessary. That section refers to costs that were incurred by the recipient or subrecipient "prior to the effective date of the grant agreement" between HUD and the City. The effective date of the grant agreement is the program year start date or the date that the consolidated plan is received by HUD, whichever is later. The effective date of the City of Syracuse's 1996 grant agreement was July 31, 1996. Syracuse proposes to use 1995 and 1996 CDBG funds to reimburse Housing Visions only for costs incurred after that date. Such costs are not considered pre-award costs.

Therefore, this Office has determined that a waiver of 24 CFR 570.200(h)(i) is not required for the subject reimbursement of funds to Housing Visions, Inc. If you have further questions, please call the Entitlement Communities Division at

(202) 708-1577.

cc:

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DGBE:Thompson:lan/708-1577/4-15-97/h:syracuse.waiver