

## Request for Waiver to Section 570.202

February 24, 1988

MEMORANDUM FOR: William Y. Nishimura, Acting Regional Administrator - Regional Housing Commissioner  
San Francisco Regional Office, 9S

FROM: Jack R. Stokvis, General Deputy Assistant Secretary for Community Planning and Development, CD

**SUBJECT: Request for a waiver to Section 570.202(b)(6) of the CDBG Regulations**

This responds to a request from the County of Los Angeles, California for a waiver to Section 570.202(b)(6) so that it can use CDBG funds for connecting utility lines to commercial structures. As we understand from your memorandum, this would be part of the County's overall strategy to revitalize businesses in its redevelopment area.

This proposed activity involves the kind of assistance to a business which currently may be provided if the grantee can determine that such assistance is "necessary or appropriate" as a special economic development activity under Section 570.203. We believe that this kind of assistance should only be provided if the grantee can meet such a determination. Therefore, we are denying this waiver.

In making the "necessary or appropriate" determination, the grantee must ensure that the amount of CDBG assistance provided to each such business is not excessive when considering the actual needs of that business and the expected public benefit to be derived from the economic development activity. Your memorandum points out that the proposed activity would cover each of the businesses' individual cost of \$3,000 for connecting utility lines to the structures of these family-owned and operated businesses which serve an area where 66 percent of the residents are of low and moderate income. A review of the financial needs of each business would need to be made to ensure that the amount of assistance actually provided to it is not unreasonable. For further guidance on this issue, we refer you to the June 2, 1987, Q & A memorandum on Economic Development activities in the CDBG Entitlement Program.

Acknowledging that the language in the current CDBG regulations regarding the rehabilitation of commercial and industrial structures has led to some confusion, we expect to clarify the Department's position regarding this matter in revised regulations. This will be accomplished by adding language to Section 570.202 which specifically limits the rehabilitation of non-residential structures to facade improvements and to the correction of code violations. Any other physical improvements would have to qualify under Section 570.203 assistance to for-profit businesses.

In addition, the revised regulations will make clear that such rehabilitation activities undertaken as part of an economic development project can be eligible under 570.203. This will be done by specifically naming rehabilitation as one of the special economic development activities eligible under this section.