

## Request to Condition the FY 91 CDBG Grant

July 2, 1991

MEMORANDUM FOR: Harry W. Staller, Acting Regional Administrator- Regional Housing Commissioner, 3S

ATTENTION: William R. Costello, Deputy Manager  
Pittsburgh Office, 3.3SD

FROM: Anna Kondratas, Assistant Secretary for  
Community Planning and Development, C

**SUBJECT: Request to condition the Fiscal Year 1991 CDBG Grant for the City of Huntington, WV**

This is in response to your memorandum of March 27, 1991 requesting the approval of a special condition on the FY 1991 CDBG grant for the City of Huntington, WV. You specifically requested authority to prohibit the City from expending any FY 1991 grant funds until all costs disallowed as a result of monitoring the City's CDBG program are properly reimbursed. Furthermore, if the disallowances were not reimbursed within 90 days, HUD would initiate a grant reduction of \$302,246 against the City's 1991 entitlement grant.

Your request is based on specific monitoring findings for four projects for which the City has refused to reimburse its line of credit: the Housing Stimulation Program, Strictly Business Computer Systems, Tri-Data, and St. Cloud Commons Park. These findings represent the City's failure to comply with the program requirements on eligibility, national objectives, and "necessary or appropriate" determinations. Subsequent to your memo, the City did reimburse funds for the Tri-Data project. Because these findings are based on past performance, any such reduction of the City's grant must be undertaken under the provisions of Section 111 of the Housing and Community Development Act of 1974, as amended, under which HUD must offer the City an opportunity for a hearing. Accordingly, the contract condition you proposed would not be appropriate in this situation. We are currently reviewing the background material you provided to determine whether the Section 111 action is supportable. We will advise you of our decision by a separate memo.

Although we cannot provide authority for the specific contract condition you requested, your memos of April 16, 1991 and May 8, 1991 and further discussions with your staff have highlighted the difficulties the City has in meeting both the "necessary or appropriate" requirements and the national objective requirements for economic development assistance to for-profit businesses. It appears that there is a systemic problem with the City's methods for processing and analyzing these types of activities which is likely to affect their future performance. Therefore, because the actions taken to date have not been successful in addressing these continuing deficiencies, you are hereby authorized to impose the attached grant condition on the City's FY 1991 CDBG grant. This condition requires that the City develop written policies and procedures that must be approved by HUD before additional assistance may be provided under their economic development program and that the City submit copies of its analyses and certain national objectives documentation to the Pittsburgh CPD staff for review on a case-by-case basis for

each loan or grant made under the economic development program during the program year prior to release of funds.

Attachment

cc:Linda Marston, SC

cc:  
CGBE:Hirschmann 7282 CGBE: Buell 7282  
CGBE: Broughman 7282 CGBE: Chron 7282  
CGBE: Files Reg III 7282 COOF: Davis 7224  
CGB: Patch 7286 FCU: 7233  
SC: Martson 7106

CGBE: Hirschmann/ry Ext. 708-1577 Rm. 7282 CBH-1 HUNTWAV 6/27/91