

Use of CDBG Funds by St. John Development Corporation

November 6, 1987

Vivian Bryant, Esquire
President, St. John Community
Development Corporation
Post Office Box 015344
Miami, Florida 33101-5344

Dear Ms. Bryant:

Thank you for your letter of September 3, 1987, to Vice President George Bush, regarding the proposed use of Community Development Block Grant (CDBG) funds by St. John Community Development Corporation (St. John CDC) for a housing rehabilitation loan. You are particularly concerned with a Field Office ruling on a Church/State issue. Because your letter involves a program administered by this Department, Vice President Bush has asked us to respond.

As we understand, St. John CDC was organized by the St. John Baptist Church for the purpose of providing housing for low income persons, creating jobs, and providing commercial revitalization in Miami's Overtown community. St. John CDC has applied to the City of Miami for a CDBG funded housing rehabilitation loan. The organization is tax exempt under Section 501(c)(3) of the IRS code.

The HUD Field Office in Jacksonville determined that St. John CDC must amend its Articles of Incorporation so that upon dissolution, assets are disbursed to 501(c)(3) organizations "other than ones formed for religious purposes." At present, the language of the organization's charter states that distribution of assets shall be made "to an organization which is exempt under Section 501(c)(3) of the IRS Code." Assets could thus be distributed to any tax exempt organization, including religious entities.

While the Department recognizes the vital role organizations, such as St. John Community Development Corporation, play in carrying out worthwhile community development projects, we are required to ensure that such is done in accordance with First Amendment Church/State principles. In this regard, we think it is appropriate that church-affiliated organizations, such as St. John CDC, be required to stipulate that upon dissolution, HUD derived assets will be disbursed to organizations other than those organized for religious purposes. This can be accomplished by including a provision in the agreement between the City of Miami and St. John CDC that upon dissolution, distribution of assets shall be made "to an organization which is exempt under Section 501(c)(3) of the IRS code, provided that assets or the value thereof, attributable to HUD assistance under the Community Development Block Grant program may not be distributed to primarily religious organizations."

We appreciate your interest in the programs of this Department. A similar response is being sent to Mr. Donald F. Benjamin.

Sincerely,

Jack R. Stokvis
General Deputy
Assistant Secretary