

# Using CDBG Funds to Assist For-profit Businesses

September 9, 1983

Mr. Emmett S. Moten, Jr.  
Director, Community and Economic  
Development Department  
150 Michigan Avenue  
Detroit, Michigan 48226

Dear Mr. Moten:

This is in response to your letter of July 27, 1983, concerning the use of Community Development Block Grant (CDBG) funds for the Metropolitan Center for High Technology.

My staff has carefully reviewed the information in your letter and the draft scope of services attached to your letter. After careful review, we have concluded that the Center's function is primarily the provision of assistance to new for-profit business entities. As such, CDBG funds to support the center's operations are eligible under section 105(a)(17) which was added to Title I of the Housing and Community Development Act by the 1981 Amendments. The City may designate a private non-profit organization, such as the Center, to provide assistance to for-profit entities when necessary or appropriate to carry out an economic development project. It is not essential that the Center meet the definition of a local development corporation (24 CFR 570.204(a)(2)(iv)). It is also noted that the proposed "Use of Grant Funds" includes "Proposal Development" and "Planning" which totals \$135,000. It appears that these costs may be eligible only under 24 CFR 570.205, "Eligible Planning and Urban Environmental Design Costs." As such, these costs would be included in the expenditures subject to the 20 percent limitation on planning and general administration.

While the proposed business assistance activity is eligible, there is some concern about how the activity could meet one of the three broad national objectives of the CDBG program. The focus on high technology casts doubt on whether a majority of the jobs will be available to low and moderate income persons, and thus, would qualify under the objective of low and moderate income persons. To meet this objective based on jobs, only the jobs created or retained through the direct efforts of the Center can be considered.

Our Detroit Area Office should be able to advise you concerning further questions you may have. The Area Office is located at McNamara Federal Building, 477 Michigan Avenue, Detroit, Michigan 48226. The telephone number is (313) 226-7900.

Sincerely yours,

Don I. Patch  
Director, Office of Block Grant Assistance