

Using CDBG Funds for the Payment of Special Taxes (Impact Fees)

August 26, 1992

Mr. Richard H. Creps
908 Contento Circle
Sarasota, FL 34242

Dear Mr. Creps:

Thank you for your letter dated April 23, 1992 to Secretary Kemp regarding the use of Community Development Block Grant (CDBG) funds for the payment of special taxes (impact fees) levied against homes built by nonprofit developers, such as Habitat for Humanity. As Director of the Office of Block Grant Assistance, Office of Community Planning and Development, I have been asked to respond to your letter.

The CDBG statute prohibits the use of CDBG funds to subsidize or assist new housing construction except under certain circumstances. One of these circumstances is when the construction is for the purpose of neighborhood revitalization or a community economic development or energy conservation project when the grantee (in this case the City of Sarasota) determines that the activity is necessary or appropriate to further its community development objectives. A new construction project could be considered a neighborhood revitalization project if it is of sufficient size or scope to have an impact on the decline of the area when undertaken in conjunction with other physical improvements. Such physical improvements may include residential rehabilitation, demolition of blighted structures, or street or water and sewer improvements.

The neighborhood revitalization project would also need to be carried out by one of the following three types of special subrecipients, as defined in section 570.204(c) of the CDBG regulations: a neighborhood-based nonprofit organization; a section 301(d) Small Business Investment Company; or a local development corporation. A determination of whether an organization, such as Habitat for Humanity, qualifies as a special subrecipient under this paragraph of the regulations must be made on a case-by-case basis by the grantee.

If impact fees are a necessary and normal cost of development in your community, they would be an eligible CDBG expense if the housing construction is carried out by a special subrecipient for one of the purposes indicated above. Since the City of Sarasota develops its own programs and funding priorities, and would make the determination of whether Habitat for Humanity meets the requirements of a special subrecipient under 24 CFR 570.204 for the purpose of being able to receive CDBG funds to carry out certain activities, you should contact the City directly. Please contact Mr. Donald Hadsell, Director, Department of Community Development, City of Sarasota, 205 North Orange Avenue, Sarasota, Florida 34236. His telephone number is 954-4107.

I hope this information is helpful in addressing your request.

Very sincerely yours,

(SIGNED-D.I.Patch)

Don I. Patch
Director, Office of Block
Grant Assistance