



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY
WASHINGTON, DC 20410-0001

May 5, 2009

Dear CDBG Grantee:

In these difficult economic times, the U.S. Department of Housing and Urban Development is pleased to announce additional funding for the Community Development Block Grant (CDBG) program under the American Recovery and Reinvestment Act of 2009 (Recovery Act). The attached CDBG Recovery Act (CDBG-R) Notice provides your community with a significant opportunity to address critical employment and economic development needs. In accepting these funds, it is imperative, however, that you be good stewards of these precious taxpayer dollars by focusing your efforts on the Recovery Act goals of investing in infrastructure that will create or sustain jobs in the near-term and generate maximum economic benefits in the long-term.

HUD is fully committed to implementation of the guidance provided by President Obama in his March 20, 2009, memorandum regarding the need for responsible spending of Recovery Act funds. The CDBG-R funding presents a unique set of challenges because of the wide range of activities allowable under the CDBG program, as compared to the more narrow range of activities allowable under the CDBG-R program. The goals of the Recovery Act are focused on stimulating job creation and long-term economic benefit. In an effort to ensure responsible spending of Recovery Act funds, a number of actions have been taken.

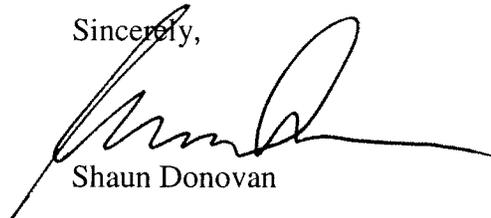
First, Section 1604 of the Recovery Act prohibits the use of funds for certain types of projects including aquariums, casinos, golf courses, swimming pools, and zoos. This prohibition is clear and direct, and HUD's guidance on the use of CDBG-R funds reflects these prohibitions. In addition, HUD is:

1. Conducting extensive outreach to housing and community development officials through such groups as the National League of Cities, the U.S. Conference of Mayors, the National Association of County Officials, and the National Governors Association to underscore the importance of focusing on the key elements of the Recovery Act as they examine projects proposed for CDBG-R funding.
2. Adding a "terms and conditions" to all grant agreements that clearly reflect the obligation of the grantee to comply with the Recovery Act in carrying out its responsibilities.

3. Providing detailed guidance to grantees regarding expectations for projects and activities accomplished under the Recovery Act.
4. Encouraging grantees to engage with their auditors early in the planning process, as HUD has been doing with the Office of the Inspector General, to ensure that major risks to responsible spending are quickly identified, and mitigation strategies established, upfront.
5. Requiring grantees to identify, upfront, the specific activities and projects that they intend to fund with CDBG-R funds. The CDBG citizen participation process will apply, with the additional requirement that grantees post their plans on their own websites in order to receive a greater level of public comment and scrutiny. Through these efforts, HUD expects that imprudent projects will be identified and weeded out and that CDBG-R funds will be used in a manner consistent with the purposes and goals of the Recovery Act.
6. Posting all proposed grantee projects on the HUD Recovery website to provide complete transparency and encourage greater scrutiny.

The economic crisis has resulted in many critical needs in our nation's communities. In order to respond to the core issues of job creation and long-term economic benefit, we must be disciplined in spending Recovery Act funds. Through the actions outlined above, the Department intends to reinforce President Obama's message of responsible spending of critical Recovery Act resources.

Sincerely,

A handwritten signature in black ink, appearing to read 'Shaun Donovan', written over a horizontal line.

Shaun Donovan

Attachment