

# Business Recruitment and Marketing Program

May 20, 1991

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

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

**SUBJECT: Clarification of Policy Issuance  
Business and Recruitment Program  
Portland, Oregon**

This is in response to your memorandum of December 5, 1990, requesting clarification of information provided to the City of Portland, Oregon, in a letter dated January 6, 1989, regarding Portland's Business Recruitment and Marketing Program.

You have questioned how CDBG assistance could be limited to a portion of the City's effort to attract businesses to locate in Portland. The activity funded by Portland is a business recruitment program which provides technical assistance to new businesses. Although this program is part of a broader effort undertaken by the City to encourage businesses to locate in Portland, CDBG assistance is used only to fund the business recruitment program, which could be identified as a separate and distinct activity in the overall recruitment and marketing effort. Because such a distinction could be made, the City could properly limit its determination of eligibility and national objective compliance to the business recruitment program.

The problem inherent in marketing programs is in assuring that the results will meet a national objective. Therefore, their funding is not generally encouraged except in very limited circumstances. However, if the program can be structured to ensure that a national objective can be met, e.g., if the grantee obtains commitments from businesses to create and/or retain jobs for low- and moderate-income persons, it may be eligible.

Portland's business recruitment program includes an employment referral service, as well as some activities that may be viewed as general marketing efforts. The employment referral service established by the City provides a link between jobs created and the recruitment and employment of low- and moderate-income persons. Because businesses that receive assistance must agree to use this referral service, Portland's business recruitment program was determined to meet a national objective and be eligible for CDBG assistance. This is consistent with the guidance provided in the June 2, 1987 memorandum on economic development activities from the General Deputy Assistant Secretary for CPD. Part E, question 28 of that memorandum states that activities to promote economic development "may be eligible if they are targeted directly to specific job creation activities and are coupled with written agreements from the businesses indicating the jobs that will be created and the number that will be taken by, or made available to, low- and moderate-income persons."

Under Portland's program, since the businesses must enter into a written agreement with the City to receive assistance, the activity is the same as most economic development programs that provide direct financial assistance in exchange for a commitment to create (or retain) jobs for low-and moderate-income persons. There is little difference between Portland's program and an activity such as housing rehabilitation where a grantee may pay for an inspector to look at a property and an underwriter to determine the terms of a loan, but at the last minute, the property owner decides not to proceed with the rehabilitation. Few activities undertaken with CDBG assistance are free of risk. Therefore, it is incumbent on each grantee to exercise discretion and good judgment in activity design to minimize risk to the grantee and its citizens.

You also questioned the eligibility of the recruitment portion of this program because it "appears to contain elements of planning (studies, briefings, provision of market information) as well as economic development." The distinction that must be made in determining the eligibility of "planning" generally is whether the activity involves the preparation of a plan which is eligible under  $\frac{1}{2}$ 570.205(a), or the implementation of a plan which may be eligible under  $\frac{1}{2}$ 570.203. However, this Office has previously determined that preparation of some plans, such as a market survey or study that is unique to a particular business and that would be something the business would ordinarily be expected to pay for itself, would be eligible under  $\frac{1}{2}$ 570.203(b).

For example, a study by a grantee to determine the general marketability of a particular area would be eligible under §570.205(a). However, if that study revealed the need for a particular type of business and the City found a business owner who requires additional market information to determine the size of the operation that could be supported in that area before committing to operate there, a study to obtain such information would be eligible under §570.203(b).

A financial analysis was not required to determine that the assistance was necessary or appropriate because the City provided technical assistance rather than financial assistance. However, the City had to determine whether the assistance was necessary or appropriate by identifying the extent of public benefit expected to be derived, including such information as the number and types of jobs to be created, other development that might be stimulated by the activity, and increases to the tax base that might result from the activity.

If this information does not adequately address the concerns raised by your staff, please contact the Entitlement Communities Division, FTS: 458-1577.

cc: Linda Marston, SC