

Downpayment Assistance Clarification

NEWSBRIEF

(excerpt from February 28, 1997)

DOWNPAYMENT ASSISTANCE CLARIFICATION In the December NEWSBRIEF, there was a discussion of ways in which downpayment assistance could be eligible for CDBG funding and meet a national objective. In that discussion, it was stated that the grantee could provide downpayment assistance for the purchase of a multi-family structure as a 570.201(e) public service activity, where 51% of the occupants were low/mod. The owner is not required to be low/mod.

If CDBG funds are used to help a non-low/mod person acquire a multi-family residential structure whose occupants are 51% low/mod at the time of purchase, there must be some public benefit resulting from the activity, for the activity to be eligible as a 201(e) public service. It does not constitute a "public" service if the only person benefitting is the non-low/mod owner. Therefore, the grantee would need to show that the activity qualifies as a public service by requiring some specific benefit as a condition of receiving the assistance. For example, the grantee could require that the new owner continue to rent at least 51% of the units to low- and moderate-income families and retain affordable rents for some specified period of time. Under this condition, the activity would qualify as a public service because the units would now remain available for low/mod tenants at affordable rents, a benefit which came about as a result of the CDBG-assisted purchase. This action would make the activity eligible as a public service and is separate from the determination of how the activity meets a national objective.