

Economic Development Projects Eligibility Determinations

August 4, 1988

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-7000

OFFICE OF THE ASSISTANT SECRETARY
FOR COMMUNITY PLANNING AND DEVELOPMENT

August 4, 1988

MEMORANDUM FOR: William Y. Nishimura, Regional Administrator-
Regional Housing Commissioner, 10S

ATTN: John G. Bonham, Director, Community Planning and
Development Division, Portland Office, 10.3C

FROM: Jack R. Stokvis, General Deputy Assistant Secretary for Community Planning and Development,
CD

SUBJECT: CDBG Eligibility Determinations

This is in response to your memorandums of June 17 and June 23, 1988, requesting eligibility determinations on a number of projects proposed by communities in Oregon related to economic development. In each case you have indicated that you believe the projects to be eligible under section 570.205, Eligible planning and policy-planning-management-capacity building activities.

Before proceeding to a discussion of each of the projects, it is important that we reach a common understanding of what is meant by a section 570.205 planning activity. This portion of the regulations is based on section 105(a)(12) of the Housing and Community Development Act and is intended to speak solely to planning activities. Section 105(a)(13) of the Act, on the other hand, is covered in the regulations under section 570.206 where it picks up the statutory language of "planning and execution of community development and housing activities. . . ."

While section 570.205(a) does contain the somewhat ambiguous language, "preparation of plans and implementing actions," this is to be understood as the "preparation of plans and the preparation of implementing actions." It is not intended to mean the actual implementation of the plans themselves, since this entire section is devoted to planning and not to implementation or execution. Similarly, section 570.205(a)(4)(v), which comes under the broader heading of "other plans and studies such as," is meant to indicate that a plan may include "strategies and action programs" to implement the plan. It does not mean that the actual implementation or execution of the plan is an eligible activity under section 570.205.

Whereas economic development planning is clearly eligible under section 570.205(a)(3)(iii), the implementation or execution phases of such planning must be eligible under section 570.203, "Special economic development activities," and must meet a national objective. Since it is not necessary to document that a planning activity meets a national objective, it is particularly important for the integrity of the CDBG program that a careful distinction be made between planning, on the one hand, and implementation or execution, on the other.

With these general principles in mind, we would like to discuss each of the projects or project components described in your memorandums of June 17 and June 23.

June 17 memorandum, - scope of work for activity In Clackamas County, Oregon

1. The preparation of this economic development plan is an eligible planning activity under section 570.205.

2-3. Notifying all downtown business and property owners that a plan is being developed and encouraging their participation in developing the plan is eligible as a planning activity. Implementing the plan is not.

4. It would appear that this activity is also related to the economic development plan and would be eligible under the data gathering and capacity building activities contained in section 570.205.

5-6. Both of these activities appear to involve implementation of the plan and would therefore not be eligible under section 570.205. If classified under section 570.203, they would have to meet the necessary or appropriate and national objective tests.

7(a) and (b). Both of these activities appear to be in keeping with the concept of the preparation of implementing actions and would therefore be eligible as planning costs.

7(c). The promotional campaign described in 7(c) would come under the general ineligibility outlined in question and answer number 28 of the June 2, 1987 memorandum on economic development activities. There may, of course, be circumstances under which a promotional campaign can document compliance with a national objective and therefore be fundable under section 570.203. One such circumstance is discussed in the answer to question 28. However, we believe such cases would be extremely rare and have therefore indicated that such campaigns are "usually not" fundable under CDBG.

7(d). The activity is not clear. Identification of industries related to a community's economic development plan is an eligible planning activity. Promotional activities are generally ineligible.

8. Coordinating activities to ensure plan compliance would appear to be implementing actions and would therefore not be eligible as planning costs.

9. Development of a long-range economic development strategy is an eligible planning activity under section 570.205.

10. Recordkeeping related to the implementation of an economic development plan is to be considered a project delivery cost of each activity implemented under the plan and would therefore not be eligible for CDRG funding as a separate planning cost.

June 23 memorandum - business and technical assistance programs

1. Compiling and maintaining an inventory of available industrial property is an eligible planning activity under section 570.205. However, business assistance and recruitment programs, as discussed in question and answer number 28 of the June 2, 1987 memorandum, are not eligible as planning costs. As indicated above, in order to be fundable under section 570.203, such programs must document compliance with the necessary or appropriate test and a national objective must be met.
2. Conducting an annual business survey would also qualify as a section 570.205 planning activity, but the attendant assistance and recruitment efforts could not be considered planning activities and would have to meet the standards of section 570.203.
3. Some components of this activity such as district planning, data collection and economic planning are eligible planning costs. However, technical assistance to private for-profit businesses is eligible under section 570.203(b), but not as a planning activity.

I trust these determinations will enable you to proceed with your review of these projects. Our determinations are, of course, based on the project descriptions contained in your two memorandums.