

# Long-term Lease Payments

NEWSBRIEF  
(excerpt from April 30, 1997 )

## OFFICE OF BLOCK GRANT ASSISTANCE

LONG-TERM LEASE PAYMENTS. OBGA has received inquiries about the charging of long-term lease costs to the CDBG program under the acquisition eligibility category. Section 570.201(a) of the regulations clearly indicates that the long-term lease of real property is considered an eligible form of acquisition. HUD's longstanding policy is that "long-term" means at least 15 years in this context. Previous HUD guidance has not been clear as to how such lease payments should be charged to the CDBG program. In permitting a long-term lease to be considered "acquisition," the general expectation is that the grantee will use CDBG funds to make an up-front, lump sum lease payment equal to the appraised value of the leasehold interest. If a grantee wishes to use CDBG funds to make payments on the lease over time and classify those payments as "acquisition" costs, such ongoing payments are subject to the pre-award cost provisions at 24 CFR 570.200(h).