

Payment of Special Assessments for Income-eligible Households

May 24, 1993

Mr. Paul E. Milewski
Director of Community Development
City of Oak Creek
8640 S. Howell Ave.
Oak Creek, WI 53154

Dear Mr. Milewski:

Thank you for your letter of March 8, 1993, to President Clinton regarding your concern about an interpretation of the Community Development Block Grant (CDBG) regulations regarding the payment of special assessments for income-eligible households. As the Acting Deputy Assistant Secretary for Grant Programs in Community Planning and Development at the Department of Housing and Urban Development (HUD), I have been asked to respond to you.

Specifically, you have questioned HUD's interpretation that income-eligible households cannot be given CDBG-assistance in the form of a loan to pay special assessments levied by the City. The Department's position on this question is statutorily based because the use of CDBG funds for assessments is not, per se, an eligible activity. However, HUD recognizes assessments as an indirect way of paying for the capital costs of public improvements eligible for CDBG assistance under section 105(a)(2) and (14) of the statute. Payment of assessments with CDBG funds thus makes the public improvement for which the assessments are levied an activity assisted in part with CDBG funds. Section 104(b)(5) of the statute requires in such cases that CDBG funds must be used "to pay" the assessments for low- and moderate-income owner occupants. The requirement to pay cannot be satisfied by making a loan to such persons. Consequently, if the City desires to provide CDBG assistance to low- and moderate- income persons for assessments, the full amount of the assessment must be paid without any requirements for repayment for such persons.

Since, as noted above, payment of assessments with CDBG funds makes the public improvement a CDBG assisted activity, the construction of the public improvement must meet the same requirements (e.g., citizen participation, environmental reviews, relocation) as if CDBG funds were used for the construction directly. Consequently, a decision to provide CDBG assistance for the payment of assessments would generally have to be made prior to the commencement of the improvement so that these requirements can be met.

I hope this information is adequate to clarify HUD's position in this matter and that it will be helpful in your continuing efforts to provide assistance to the low- and moderate-income persons in your community.

Very sincerely yours,

Don I. Patch
Acting Deputy Assistant
Secretary for Grant Programs

