

Preagreement Costs

MAY 5, 1989

MEMORANDUM FOR: Elmer C. Binford, Acting Regional
Administrator-Regional Housing Commissioner, 7S

ATTENTION: Miguel P. Madrigal, Director
Community Planning and Development, 7C

FROM: Audrey E. Scott, Acting General Deputy Assistant
Secretary for Community Planning and Development, CD

**SUBJECT: Community Development Block Grant (CDBG) Program
Waiver of Pre-Agreement Costs
Springfield, Missouri**

This is in response to your memorandum of April 12, 1989, concerning the City of Springfield's request for a waiver to the CDBG program regulations at 24 CFR 570.200(h), Pre-Agreement Costs. The request is to use a loan from the State of Missouri to carry out an eligible public improvement activity, and use CDBG funds from future grants to pay the loan.

We understand that the project involves the construction of one contiguous section of street in the City's Central Business District and from an engineering standpoint, phasing the project over a period of years would render the project virtually impossible to undertake. By granting the waiver, the City of Springfield could finance \$219,000 from a pool of funds from the Missouri Industrial Development Board under the Board's Local Government Capital Improvement Program to carry out the project. We further understand that the loan would then be repaid by the City at a fixed rate of interest for a period of up to 9.5 years until the debt is retired.

Taking into consideration the benefit to the City of Springfield to meet its community development objectives in a timely manner and the engineering problems inherent in undertaking the construction work gradually over a number of years, I have determined that failure to grant such a waiver in this case would cause undue hardship and adversely affect the purposes of the Act. Therefore, under the authority of 24 CFR 570.5 and subject to the requirements described below, I hereby waive the limitations on pre-agreement costs at 24 CFR 570.200(a)(5) and 24 CFR 570.200(h).

This action will allow the City of Springfield to plan the use of CDBG funds from future years allocations to pay debt service on the loan from the State of Missouri. If it is determined that this public improvement no longer meets the then current statutory or regulatory requirements, CDBG funds would not be authorized to be used for the debt service payments. Presumably, the loan would then be paid from the City's general fund.

In conveying this authorization to the City of Springfield, please remind the City that such pre-agreement expenditures are at their own risk and that the payment of debt service on the loan is contingent upon the availability of future allocations of CDBG funds. Likewise, please advise the City that:

Affected citizens must be provided an opportunity to examine and comment on this proposal prior to undertaking the construction of the public improvement, in accordance with the citizen participation requirements under the CDBG program;

The activity must be described in sufficient detail in each future year's final statement from which CDBG funds will be used to pay debt service on the loan;

All CDBG program requirements must be met in the planning and construction phases of the project, including Davis-Bacon and the environmental review and clearance procedures; and

Prior to using CDBG funds in any year to pay debt service on the loan, the City must determine that the public improvements remain eligible for CDBG assistance and otherwise meet statutory and regulatory requirements as may be in effect with respect to funds from that year.

Although individual waivers are not required for each year in which CDBG funds are used to repay the loan, each grant agreement in which CDBG funds are used for this purpose must include specific recognition of such pre-agreement costs as required by OMB Circular A-87, Attachment B, Standards for Selected Items of Cost.

Prior to conveying this waiver to the City, please review the specific activity for which it would be granted to ensure that a national objective will be met based on current regulations. Should you have any questions or concerns relative to this matter please contact the Entitlement Cities Division at (FTS) 755-5977.