

Proceeds from the Sale of Land Connected to a Federally Funded Urban Renewal Project

October 7, 1998

Mark B. Adelson, Director
Housing and Neighborhood Services Division
City of Portland
389 Congress Street
Portland, ME 04101

Dear Mr. Adelson:

Thank you for your letter of July 7, 1998, to Assistant Secretary Ramirez regarding requirements for the use of proceeds from the sale of land connected with a Federally-funded urban renewal project. The urban renewal closeout agreement which would have specified the use of these funds is not available either from the City or from HUD.

Your letter indicates that in 1971 the City of Portland used urban renewal funds to purchase a parcel of land in downtown Portland that was subsequently sold for the development of an office building in 1983. Using the proceeds from that sale, the City purchased another parcel nearby and leased the land to the project developer, who built a parking garage for the new office building. In May 1998, the City sold this parcel of land to the owner of the parking garage. You question whether the proceeds from the sale of this parcel of land (the site of the parking garage) are considered program income under the Community Development Block Grant (CDBG) program, and therefore, subject to compliance with CDBG program requirements, including meeting a national objective.

While the specific urban renewal closeout agreement referenced in your letter may not be available, it undoubtedly contained certain standard program requirements. Subpart N of the CDBG regulations previously outlined these requirements at 24 CFR 570.804(b)(7). The regulation currently at 24 CFR 570.800 states that those requirements continue to govern relative to urban renewal projects. The previous provision at 24 CFR 570.804(b)(7)(i) required that the urban renewal closeout agreement identify all remaining project property owned by the local public agency and that the proceeds from the sale or lease of such property shall be treated as program income of the unit of general local government under the provisions of §570.504.

The proceeds of the sale of land acquired with urban renewal funds are thus considered program income to the City's CDBG entitlement program. CDBG program income must be used in accordance with all CDBG requirements and never loses its CDBG affiliation. Thus, both the City of Portland's purchase and lease of the parking garage site in 1983 and the sale of the property this year were subject to all CDBG requirements. The rental income from the lease to the developer and the subsequent sale proceeds constitute CDBG program income and accordingly, are subject to CDBG regulations.

If you have any further questions regarding this matter, please contact the HUD New Hampshire State Office. The contact person is Katherine Baumgardner, CPD Representative, HUD New Hampshire State Office, 275 Chestnut Street, Manchester, New Hampshire 03101. Ms. Baumgardner's telephone number is (603) 666-7635.

Very sincerely yours,

(signed)

Richard J. Kennedy
Director, Office of Block
Grant Assistance