

Qualification of Local Development Corporation and Definition of Neighborhood

November 14, 1985

MEMORANDUM FOR: Duncan Lent Howard, Regional Administrator-
Regional Housing Commissioner, 9S

FROM: Alfred C. Moran, Assistant Secretary for Community
Planning and Development, C

SUBJECT: Qualification of a Local Development Corporation under Section 570.204(c)(3)(iii) and Definition of Neighborhood under Section 570.204(c)(1)

This responds to your memorandum of September 5, 1985, and the Honolulu Office memorandums of August 9, and August 20, 1985. This also confirms the advice given in the conference call of October 1, 1985, concerning assistance to subrecipients by the City of Honolulu for the construction of housing for low- and moderate-income households on a citywide basis. Specifically, the inquiries concern the use of neighborhood-based nonprofit organizations under § 570.204(c)(1) and local development corporations under § 570.204(c)(3)(iii).

In an apparent attempt to have this undertaking qualify as an activity carried out by a neighborhood-based nonprofit organization under § 570.204(c)(1), the City created 33 neighborhood boards and established development plans which relate to specific geographically defined areas of the City. The areas covered by the development plans range from 16,000 in population to 436,000 and the number of neighborhood boards in each development plan area ranges from one to 18. The City has asked whether a development area comprised of a population of 436,000 and 18 neighborhood boards would qualify as a neighborhood under § 570.204(c)(i) or in the alternative whether this requirement can be waived.

While it is true that the regulations provide that a neighborhood may be a geographic location "designated in comprehensive plans, ordinances, or other local documents as a neighborhood," we are of the opinion that the designation of an area with a population of 436,000, with 18 separate neighborhood boards, clearly exceeds commonly held concepts of what constitutes a neighborhood and thus runs counter to the requirements in § 570.204(c)(1). Furthermore, inasmuch as the term "neighborhood-based organization" is statutorily derived, we are without authority to waive the neighborhood-based requirement.

On the other hand, § 570.204(c)(3)(iii) does provide authority for a properly constituted local development corporation to receive block grant funds to carry out special activities not otherwise eligible (including new housing construction), without the restriction that such organization be neighborhood-based. Thus, unless restricted by statute or otherwise, such organizations may operate on a citywide basis. We suggest that the City consider the use of this approach.