

## Questions about CDBG Grantee Instructions

May 8, 1984

Mr. Frank Pondrom  
Community Development  
Coordinator  
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Dear Mr. Pondrom:

This is in response to your letter of February 14, 1984, to Assistant Secretary Bollinger in which you raise five questions about the 1984 Grantee Instructions for the Community Development Block Grant (CDBG) Entitlement program. The following responds to each of your questions:

1. What is meant by "clearly designed to meet identified needs of persons of low and moderate income" as stated on page 10, paragraph 1X. B.2.b.?

As stated in 1X. B.2.b. of the Grantee Instructions, this phrase, which is statutorily based and found in the 1983 Amendments to the Housing and Community Development Act of 1974 (the Act), is essentially equivalent to language in § 570.208(a) of the CDBG regulations. The point here is that an activity undertaken in an area where 51 percent of the residents are low and moderate income does not necessarily benefit such persons. It is not location alone, but the nature of the activity and how it serves the residents of the area that are considered. A good example to illustrate this point is improvement of an arterial street used primarily by through traffic. Such an activity would not principally benefit residents of the immediate surrounding area. Conversely, improvements to streets that are clearly residential would meet the need of, and therefore benefit, residents of the immediate area in which they are located.

2. How does the regulation of CFR 570.208(a) pertaining to activity location, fit into the preparation of the goals and objectives of the community development plan?

The regulations at § 570.208(a) describe the standards used to determine how individual activities meet the national objective of benefit to low and moderate income persons. With regard to the community development plan, this provision has no direct relationship. Certainly, a grantee is likely to consider locational factors in identifying its community development and housing needs. Also, since the plan must be developed in accordance with the primary objective of the CDBG program, which emphasizes benefit to low and moderate income persons, the location of concentrations of such persons would be a factor to consider in assuring that your plan is developed in accordance with the primary objective of the Act. As stated above, however, the regulations at § 570.208(a) are applicable only for the purpose of determining if a specific CDBG funded activity meets the national objective of benefiting low and moderate income persons.

3. Other than location and physical design, how can infrastructure, improvements such as streets, water, sewer, etc., be "clearly designed" to meet the needs of low and moderate income persons?

As noted earlier, location alone does not conclusively demonstrate that an activity benefits low and moderate income persons. In determining area benefit, the grantee must also consider, in addition to location, the nature of the activity and how it serves the residents of the area. For highly localized infrastructure improvements, location alone typically provides ample information for determining who benefits from the activity. In such a case, knowing the kind of public improvement may be enough to reasonably conclude that the activity is "clearly designed to meet the identified needs of low and moderate income persons." In other cases, additional factors might be important. For instance, a swimming pool located in a lower income neighborhood would usually be considered to benefit the residents of the neighborhood. But if the city intends to charge a fee for the use of the pool, that could serve to offset the locational aspects and result in the principal users being non-lower income persons.

4. Other than location and physical design, how can infrastructure improvements such as street, water, sewer, etc., be "clearly designed" to meet the needs of low and moderate income?

There is no general answer to that question, because of the variety of kinds of improvements and situations possible. The various standards and illustrative examples in § 570.208(a) of the regulations provide guidance on this matter, but each activity must be analyzed on its own merits. The factors mentioned in the response to question three above would be relevant for infrastructure improvements. Other factors must be considered for commercial or industrial development activities designed to create or retain jobs. As the grantee, you are required to ensure and maintain evidence that each funded activity meets one of the broad national objectives of the CDBG program (see § 570.200(a)(2) and 570.506(b)). Such evidence will be accepted in the absence of a substantial basis to conclude otherwise.

5. How is the benefit to low and moderate income persons to be measured when the benefit is only indirectly received?

It is not clear what you mean by benefit that is "indirectly" received. It is not necessary to have a precise measurement of the extent to which a person benefits from an activity. Benefit is assumed on the basis of the nature of the activity and the way it is commonly perceived to affect people. For example, a park or playground would be assumed to benefit all persons living nearby, even though it is possible some of those persons may never use that facility or may even find it to be a nuisance. Improvements to a local street in a residential neighborhood are assumed to benefit those living directly on the street as well as those living within a few blocks away and thus likely to use the street. Of course, the distance away from a public facility affects its ability to be of a benefit to residents. So, location together with the nature of the activity, are the primary determinants of assumed benefits for public facilities. When an activity's benefit is so small or indirect, it would not be considered to be of any benefit in the context of this program.

We hope that the above answers to your particular questions will prove helpful to you. If you have any more concerns or questions regarding this matter, you may contact Lorraine Drolet of my staff at 202/755-5978.

Sincerely yours,

(signed)

Donald G. Dodge  
Deputy Assistant Secretary for Program Management