

# Distinction between Rehabilitation and New Housing Construction

October 5, 1983

Mr. Angelo J. Siracusa  
President  
The Bay Area Council, Inc.  
348 World Trade Center  
San Francisco, CA 94111

Dear Mr. Siracusa:

Thank you for your letter of August 30, 1983 to Secretary Pierce requesting clarification of the distinctions between rehabilitation and new housing construction as they apply in determining eligibility for funding under the Community Development Block Grant (CDBG) program. Your letter was referred to my office for reply.

From your letter I understand your concern to be the availability of CDBG funds for the creation of secondary housing units on property with existing primary structures (single family homes, for example). You are correct that such construction work would be eligible under our program to the extent that it qualifies as rehabilitation. As a general rule, new housing construction is not eligible for CDBG assistance.

There is no specific definition of rehabilitation in the statute governing the CDBG program, and the Department has not established specific limits for activities that constitute rehabilitation. Thus, construction projects must be determined to be rehabilitation or new construction based on a reasonable judgment in each case. You may wish to use the following as general guidelines for your stated purpose.

Creation of a secondary unit entirely within the bounds of an existing structure is clearly rehabilitation.

Development of a new freestanding structure is clearly new construction.

Some additions to existing structures may be included as a part of a rehabilitation project designed to create a secondary unit. In approving such additions, local officials should assure that the secondary unit relates to the size and function of the primary unit. Regarding rehabilitations which include additions to existing structures, local officials can use the guidance provided in the Handbook for HUD's Section 312 Rehabilitation program as one measure of additions which would be considered rehabilitation under the CDBG program even though restriction in the Section 312 program do not necessarily apply to the CDBG program. I have enclosed a copy of the Section 312 Handbook for your use.

You should note that all activities carried out with CDBG funds must meet one of the three broad national objectives of the program in addition to meeting the specific list of eligible activities. Our new program regulations were published on September 23, 1983, and scheduled to become effective November 1, 1983. You should refer to Section 570.208 of these regulations with regard to meeting the

national objectives of the CDBG program.

If you have questions on specific secondary unit development projects, I recommend that you contact the HUD Community Development Representative that works with the relevant jurisdiction. Community Development Representatives can be reached in our San Francisco Regional Office at (415) 556-4457.

Sincerely yours,

(signed)

Stephen J. Bollinger  
Assistant Secretary  
Enclosure