



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-7000

ASSISTANT SECRETARY FOR  
COMMUNITY PLANNING AND DEVELOPMENT

APR 13 2004



The Honorable Dale Bagley  
Mayor of Soldotna  
144 North Binkley Street  
Soldotna, AK 99669

Dear Mayor Bagley:

The Consolidated Appropriations Act of 2004 (PL 108-199) (the Act), signed into law by President Bush on January 23, 2004, provided the Department of Housing and Urban Development with Economic Development Initiative (EDI) funds for certain special projects specified in the Conference Report accompanying the Act (H.R. 108-401). The following project was specified in the Conference Report to receive grant funding in the listed amount:

**Project Description:** For the Kenai Peninsula Borough, Kenai, Alaska for recreation facilities

**Grant Amount:** \$745,575

**Grant Number:** B-04-SP-AK-0041

Please note that the Grant Amount shown above is 99.41% of the amount specified in the Conference Report due to the .59% rescission mandated by the Act. All materials necessary to apply for the grant listed above are enclosed and must be completed and returned to the Department as explained in the instructions. Upon receipt of your completed application, we will review it for consistency with the intent of Congress and will notify you regarding any questions we have with respect to your application.

**Limitations on Administrative and Operational Expenses**

There are several key provisions of the Act of which you should be aware. First, the Act contains the following language with regard to administrative costs payable with the grant funds:

“That unless explicitly provided for under this heading...not to exceed 20 percent of any grant made with funds appropriated under this heading...shall be expended for planning and management development and administration.”

The 20 percent limitation is applicable to the EDI Grant Amount specified in this letter and encompasses general management expenses associated with administration of the grant as well as direct project delivery costs including, but not limited to:

- Project financing fees, expenses, taxes and insurance;
- Development and construction management fees and costs;
- Professional services necessary to implement the project (architectural, engineering, surveying, appraisal, legal, accounting, etc.); and
- On-site services during construction (security, temporary utilities, etc.).

Second, in describing the use of EDI funds, the Act states: **“That none of the [EDI] funds provided under this paragraph may be used for program operations.”** The intent of Congress as expressed by this language is to ensure that EDI grant recipients use the EDI funds for construction, rehabilitation, property acquisition and other “hard cost” activities as opposed to service or program delivery costs.

The Application Kit directions require that you prepare a simple project budget statement identifying the use of the EDI funds. Please keep these administrative and operational cost limitations in mind as you prepare the project budget statement.

**Environmental Review Requirements**

The Conference Report also specifies that projects receiving funds must comply with certain environmental review requirements and that legislative waivers of such requirements will not be entertained. More detailed information on these environmental requirements is provided in the Application Kit.

**Limitation on Reimbursement of Incurred Costs**

The Act requires that funds provided for projects shall not be used for reimbursement of expenses incurred prior to enactment of the Act on January 23, 2004.

If you or your staff have any questions regarding the application package, please contact the Office of Economic Development, Room 7146, U.S. Department of Housing and Urban Development, Washington, DC 20410 at (202) 708-3773.

I look forward to assisting you in the successful implementation of your project.

Sincerely,

Roy A. Bernardi  
Assistant Secretary

Correspondence Code	Originator	Concurrence Sifakis	Concurrence Mains	Concurrence [Signature]	Concurrence	Concurrence
	Lambert	[Signature]	[Signature]	[Signature]		
Name	ONL	[Signature]	[Signature]	[Signature]		
Date	03-26-04	[Signature]	[Signature]	3/30/04		