



## General Government Committee

### Community Development Block Grant (CDBG) Annual Action Plan for Program Year 2014 - Options for Economic Development Activities

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#### **Title**

Community Development Block Grant (CDBG) Annual Action Plan for Program Year 2014 - Options for Economic Development Activities

#### **Recommended Action**

##### **City Manager Recommendation:**

Discuss and provide guidance on recommendations for inclusion in the draft PY2014 (September 1, 2014 - August 31, 2015) CDBG Action Plan

#### **Report**

##### **Issue:**

What economic development activities should be included in the PY2014 CDBG Action Plan?

#### **Staff Contact:**

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#### **Presenter(s):**

Leonard Bauer, Deputy Director, Community Planning and Development Department

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#### **Background and Analysis:**

##### **Council Referral to General Government Committee:**

On October 1, the City Council provided the following guidance to General Government Committee regarding PY2014 CDBG process and recommendations:

“Consider information and discussions by the Community Renewal Area (CRA) Ad Hoc Committee and other Council committees, such as the Land Use and Environment Committee’s downtown project and master plan discussions. The CRA will forward a written summary of discussions related to CDBG and relationship to CRA and other potential funding sources. The General Government Committee may wish to receive a formal presentation from the CRA on economic development priorities.”

The CRA Ad Hoc Committee considered this topic at its November 13, 2013, meeting,

At a November 26, 2013 Special Council Meeting, General Government Committee received a presentation from the CRA Ad Hoc Committee and the full Council discussed their recommendations for economic development priorities that relate to potential future use of CDBG funds. The CRA Ad Hoc Committee recommended the following issues for consideration:

1. Examine the full range of CDBG-eligible economic development projects and programs
2. Creation of a CDBG revolving loan fund generated by program income to support specific economic projects;
3. Encourage development projects and programs that align with this objective (i.e. request for proposals or other public process); and
4. Options to use CDBG funds to repay Section 108 loans.

### **Background on Olympia's CDBG Program**

**CDBG Fund Sources:** There are two basic sources of Community Development Block Grant funds:

**Annual Entitlement Grants:** The City receives Community Development Block Grant (CDBG) funds as an entitlement grant from the Department of Housing and Urban Development (HUD). The funds must be used in accordance with detailed regulations to benefit low- and moderate-income households or aid in the elimination of slum or blighted conditions. The CDBG grant award in PY 2013 \$357,000.

**Program Income:** In past years, a significant portion of CDBG funding was distributed by the City in the form of housing rehabilitation loans. These loans are repaid to the City according to the loan terms and reused for other CDBG-eligible projects that benefit low- and moderate-income households. These repaid CDBG funds are called "Program Income". During PY 2013 the City anticipates receiving approximately \$300,000 in program income. (See attachment for City of Olympia's CDBG Program Income 2005-2014).

**CDBG Strategic Goals:** The recently adopted *Thurston County CDBG Consolidated Plan* serves as the strategic plan for using funds over the next five year. This Plan includes the following six strategic goals:

1. **Economic Development:** Identify and create opportunities for economic development programs that principally benefit low-income people (see attachment 3 for a list of potentially eligible economic development projects);
2. **Housing:** Maintain, enhance, and expand the supply of rental, homeownership, and special needs affordable housing for-low income populations;
3. **Public Facilities** Identify priority public facilities and infrastructure projects that serve low-income populations throughout the county;
4. **Social Services:** Provide essential social services, termed "public services" for low- and

moderate income and special needs populations;

5. **Homeless Continuum of Care:** (*Thurston County Goal*) Create a comprehensive homeless continuum-of-care system that is responsive to the needs in our community; and
6. **Land Acquisition:** The acquisition of land to support the development of new affordable housing, public facilities, economic development or infrastructure to meet the needs of low-income residents.

The *Consolidated Plan* further defines the Economic Development goal as a range of activities that provide economic opportunity and support the creation of jobs, principally for low- and moderate-income people. These activities include:

- 1) Support for small and “micro” businesses including training, technical assistance;
- 2) Direct loans to support new small businesses and entrepreneurs.
- 3) Community planning process to expand economic opportunities for low and moderate income people.

**Olympia’s CDBG Action Plan:** Olympia’s one-year Annual Action Plan (attached) is part of the *Consolidated Plan*. It allocates \$1.2 million dollars towards a variety of projects for PY 2013. (*Please note:* This 1.2 million dollar allocation is predicated on all additional program income being utilized for the Isthmus project, up to \$450,000.)

#### **Options for Use of CDBG for Economic Development Activities**

An attachment outlines a number of optional CDBG-eligible activities for economic development. Based on the Council’s discussion and direction at its November 26, 2013, special meeting, these options focus on activities in downtown Olympia. However, the options may also be utilized in other areas of the city if they benefit low to moderate income community members.

At the General Government Committee meeting, staff will further describe these options, and request the Committee provide direction on which options staff should develop further for inclusion in the draft PY 2014 CDBG Action Plan.

#### **Neighborhood/Community Interests (if known):**

The Community Development Block Grant program is a city-wide program created to help low to moderate income residents. Downtown Olympia is within a low to moderate income census tract.

#### **Options:**

To be developed at the meeting.

#### **Financial Impact:**

Use of Community Block Grant annual allocation and program income. Summary of current estimates for annual allocation and program incomes will be provided at the meeting.