



## General Government Committee

### Community Development Block Grant (CDBG) Program Year 2015 Action Plan Amendment and Program Year 2016 Action Plan

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#### **Title**

Community Development Block Grant (CDBG) Program Year 2015 Action Plan Amendment and Program Year 2016 Action Plan

#### **Recommended Action**

##### **Committee Recommendation:**

Not referred to a committee.

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

Recommend specific amendments to the CDBG Program Year 2015 Action Plan and discuss opportunities for the CDBG Program Year 2016 Action Plan. Direct staff to conduct public comment process for Program Year 2015 Action Plan amendments and conduct further research on potential projects for Program Year 2016 Action Plan.

#### **Report**

##### **Issue:**

What strategic opportunities should be pursued with CDBG funding in Program Years 2015 September 2015 - August 2016) and 2016 (September 2016 - August 2017)?

##### **Staff Contact:**

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

M. Anna Schlecht, CDBG Program Manager, Community Planning & Development Department

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

##### **CDBG Program Year 2015 Amendments:**

The General Government Committee reviewed the initial Program Year (PY) 2016 Action Plan strategies at its October 2015 meeting, and directed staff to continue developing several options.

Since that time, project opportunities to address some of the strategies have been developed, and may be able to be funded within PY2015. In addition, the City must increase its expenditures in PY 2015 to meet federal regulations requiring the timely expenditure of funds to ensure that tax monies are not “banked” indefinitely for the future. Due to receipt of greater-than-expected repayments of past loans and other unexpended projects, **the City’s CDBG program must expend at least \$510,513 by June 30, 2016 to meet this requirement.**

These two factors result in the city manager’s recommendation to amend the existing PY 2015 Action Plan, shown in Attachment #1.

Two potential amendments would be to re-allocate additional funding to currently funded CDBG activities:

- **Additional repayments of the City’s Section 108 Loan**, which funded the Downtown Improvement Project (Alley Lighting and ADA Sidewalk Improvements);
- **Crime Prevention Through Environmental Design (CPTED) program** that provides small loans to make downtown safe and welcoming.

Other potential PY 2015 amendments would address the City’s primary strategic goal of economic development, as stated in its five-year Consolidated Plan. These could include:

- **Property Acquisition:** a key property or properties could be acquired to remove blight;
- **Purchase of Equipment or Services:** this could include providing for services to low-moderate income individuals, such as public rest rooms downtown;
- **Feasibility Studies:** to provide for eventual facilities or services to low-moderate income individuals, such as improvement or expansion of the Downtown YMCA.

Staff will present more information on these options at the Committee’s meeting.

### **CDBG Program Year 2016 Action Plan:**

Each year the General Government Committee reviews options and develops goals for the coming CDBG Program Year. As identified in Attachment #2, this process starts in October or November of the prior program year and concludes with CDBG Annual Action Plan that is submitted to the federal Housing and Urban Development (HUD) regional office by July 15<sup>th</sup> of the subject year.

The City’s allocation for Program Year 2016 will be \$340,892 with an estimated \$100,000 in program income from prior year projects for a total of \$440,892 in CDBG funds. Of this amount, staff estimates that there will be approximately \$300,000 available for programs and projects during PY 2016.

Key opportunities for allocating these PY 2016 CDBG funds include aligning them with City policy goals identified in the Community Renewal Area (CRA) and the Downtown Strategy. There will also

be opportunities to leverage these monies with other City funds such as the Grow Olympia Fund; the CDBG Section 108 Loan Program and other City Capital Facilities Plan (CFP) investments. Further opportunities would be to partner with the Economic Development Council (EDC) programs and private investments.

CDBG regulations allow for a number of eligible activities that fall under the following general categories:

- **Infrastructure Improvements:** support for economic development by investing in public infrastructure that improves access or otherwise serves businesses or residences that employ or house low-to-moderate income individuals.
- **Training:** business training for business owners; and, workforce training to expand the pool of skilled employees.
- **Business Loans:** business loans for operations and equipment, as well as real estate loans to acquire, remodel or expand properties that house businesses.
- **Workforce Housing Loans:** loans to support programs like Art Space that provide housing for low-income artists, gallery space, and generally improve the neighborhood.

**CDBG Regulatory Guidelines:** Federal regulations limit flexibility in project spending in two primary ways:

1. CDBG funds must be allocated for clearly identified, specific projects (i.e. the Isthmus Park Building Demolition) or for defined programs with clear guidelines for activities (i.e. the CPTED Program).
2. Federal regulations require the timely expenditure of funds to ensure that tax monies are not “banked” indefinitely for the future. Due to greater-than-expected repayments of past loans and other unexpended projects, **the City’s CDBG program must expend at least \$510,513 by June 30, 2016 to meet this requirement.**

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

All Olympia residents have an interest in how CDBG funds are allocated.

#### **Options:**

1. Recommend specific amendments to the CDBG PY 2015 Action Plan. Direct staff to conduct public comment process for PY 2015 Action Plan amendments.
2. Direct staff to conduct further research on potential projects for CDBG PY 2016 Action Plan.
3. Direct staff not to pursue PY 2015 Action Plan amendment and focus on PY 2016 project development. (Note: This option would likely result in the City’s CDBG Program not meeting federal requirements for timely expenditures in PY 2015).

**Financial Impact:**

The City will receive \$340,892 in PY 2016 CDBG funds along with an estimated \$100,000 in prior year program income for a total of \$440,892.