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City Council

Approval of Community Development Block Grant (CDBG) Program Year 2015 Action Plan Amendments

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Title

Approval of Community Development Block Grant (CDBG) Program Year 2015 Action Plan Amendments

Recommended Action

Committee Recommendation:

Move to approve the proposed amendments to the Community Development Block Grant (CDBG) Program Year 2015 Action Plan.

City Manager Recommendation:

Move to approve the proposed amendments to the Community Development Block Grant (CDBG) Program Year 2015 Action Plan.

Report

Issue:

Whether to approve the proposed amendments to the City's Program Year 2015 Action Plan (Sept. 2015 - Aug. 2016).

Staff Contacts:

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Presenter(s):

None - Consent Calendar Item.

Background and Analysis:

CDBG Program Year 2015 Amendment:

The City Council adopted the CDBG Program Year 2015 (PY15) Action Plan in July 2015. Since that time, additional project opportunities have become available that can 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 (see

further explanation of CDBG regulations below). 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 recommendation to consider amending the existing PY15 Action Plan as shown in the attached Matrix of Proposed CDBG Amendments.

Two of the recommended amendments would be for additional funding to existing CDBG activities:

- **\$130,650 repayment of the City's Section 108 Loan**, which funded the Downtown Improvement Project (Alley Lighting and ADA Sidewalk Improvements). This amendment would make an additional \$65,650 payment, and also corrects the current payment to \$65,000, for a total of \$130,650 in repayments in PY15.
- **Crime Prevention Through Environmental Design (CPTED) program**, which funds small projects to improve key conditions downtown to increase safety. This amendment would add \$60,000 toward an alley improvement with a garbage compactor shared by multiple buildings, increased lighting and potentially a security camera.

The other three recommended PY15 amendments would address the City's primary strategic goal of economic development, as stated in its five-year Consolidated Plan:

- **Property Acquisition**: providing \$150,000 toward purchase of the former Griswold's site to remove blight;
- **Micro Business Training**: providing up to \$45,000 to Enterprise for Equity for training small business owners on how to sustain and grow their businesses.
- **YMCA Feasibility Study**: Contribute \$12,000 toward a market feasibility study of an improvement or expansion of the Downtown YMCA, which would provide for eventual facilities or services to low-moderate income individuals.

To provide for these projects, the supplemental funding in the PY15 Action Plan for the Grow Olympia Fund would be eliminated. No loan discussions have led to a potential loan that would be timely enough to meet the City's spend down requirements in PY15. The \$1 million Grow Olympia Fund established through the National Development Council would remain available to fund small business loans when ready.

Additionally, CDBG program administration costs and the HUD-allowed, per-project activity delivery costs would be increased correspondingly to provide for these amendments to be carried out in PY15.

Background on CDBG Regulatory Guidelines:

The City receives CDBG funding each year because it is an 'entitlement' jurisdiction. For PY15, the

City's grant is \$338,265. In addition, the City receives 'program income' - primarily from repayment of past loans for residential property improvements. In PY15, program income to date is \$227,748 - significantly greater than the \$120,000 projected in the adopted PY15 Action Plan.

Federal regulations limit flexibility in CDBG project spending in the following ways:

1. CDBG funds must be allocated for clearly identified, geographically specific projects (i.e. the acquisition of the Griswold's property) 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. By June 30 of each year, the City must spend CDBG funds down to 1.5 times its last CDBG federal grant. In PY15, that spend-down target is \$503,144. 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.**
3. Over each three-year period, at least 70% of the City's CDBG expenditures must provide benefit to low-to-moderate income people. The recommended amendments would ensure this requirement is met for the PY13-PY15 period.
4. Up to 15% of the City's CDBG expenditures each program year may be provided to direct social services. The recommended amendments would ensure this requirement is met.

Timeline and Process to Amend the PY 2015 Action Plan:

The City notified the public about the opportunity to comment on these proposed amendments during a 30-day public comment period running from April 15 to May 15, 2016, which featured a public hearing on May 10, 2016. Copies of the proposed amendments to the PY 2015 CDBG Action Plan were made available online at www.olympiawa.gov <<http://www.olympiawa.gov>> . Paper copies were made available at Olympia City Hall, or the Olympia Timberland Library. .

As of the publishing of this staff report, only one public comment was received from Homes First (Attached). All other public comments will be presented to Council in paper format on their Council desks at the May 17 City Council meeting.

Staff recommend that the City Council make a final decision of to approve the proposed PY 2015 CDBG Action Plan amendments.

Neighborhood/Community Interests (if known):

There is wide public interest in how CDBG funds are allocated. The City published a public notice on the proposed amendments, which have been made available for review on the City's website, in paper copies available a 30-day public comment period, that ran from .

Options:

1. Approve the proposed amendments to the Community Development Block Grant (CDBG) Program Year 2015 Action Plan.

2. Do not approve the proposed amendments to the Community Development Block Grant (CDBG) Program Year 2015 Action Plan. Note this option would likely result in the City's CDBG Program not meeting federal spend-down requirements.

Financial Impact:

The recommended amendments will ensure the City's CDBG program remains compliant with federal regulations to expend at least \$510,513 by June 30, 2016. Approximately \$500,000 would remain in the City's CDBG fund for additional expenditures. Unexpended funds in PY15 would carry over to PY16.

Attachments:

[Matrix of Proposed PY15 Amendments](#)

[Current PY 2015 CDBG Action Plan](#)

[Public Comments on the Proposed PY 2015 Amendments](#)