



General Government Committee

Options for Community Development Block Grant (CDBG) Funding - Program Year (PY) 2016 Amendments & PY 2017 Annual Action Plan

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Title

Options for Community Development Block Grant (CDBG) Funding - Program Year (PY) 2016 Amendments & PY 2017 Annual Action Plan

Recommended Action

Committee Recommendation

Not referred to a committee.

City Manager Recommendation:

Consider options and develop recommendations for CDBG funding for amending the current PY 2016 and for the upcoming PY 2017 Annual Action Plan.

Report

Issue:

- 1) Whether the City should amend its PY2016 Action Plan in order to spend down CDBG funds in a timely manner. Amendments could include:
 - a. re-allocation of approximately \$210,000 of unexpended CDBG program revenue from past years; and
 - b. authorization to expend additional \$105,000 in expected program income.

- 2) What priorities should be recommended for an estimated \$450,000 in the next CDBG PY 2017 (September 1, 2017 - August 31, 2018) in order to spend down funds in a timely manner.

Staff Contact:

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Presenter(s):

Leonard Bauer, Community Development Department Deputy Director
Anna Schlecht, Community Service Programs Manager

Background and Analysis:

Council has two opportunities to allocate CDBG funding: 1) **PY 2016 Amendments** in the amount of \$315,000; and 2) **PY 2017 Annual Action Plan Public Process** to allocate an estimated \$450,000. All City funding recommendations should support the timely “spend-down” or expenditure of funds to ensure compliance with HUD regulations.

\$315,000 PY 2016 CDBG Amendment: The City has approximately \$210,000 from past Community Development Block Grant (CDBG) program years that has not been expended as quickly as anticipated. These funds must be re-allocated by the City for new activities that will expend funds in a timely manner. HUD has advised the City to either expend or re-allocate these funds prior to March of 2017, for expenditure during PY2016.

In addition, the City continues to receive program income from past housing rehabilitation loans in excess of projections. Staff now estimates an additional \$105,000 of program income could be received in PY2016 that can be allocated at this time.

In order to expend these funds in a timely fashion, the City must go through the full CDBG Substantial Amendment process to allow for citizen participation in how these funds are invested. Committee discussion of the amendment process was delayed from the originally-scheduled November date due to a cancelled committee meeting. Now time is of the essence and the process should begin as soon as possible in order to meet the March 2017 HUD deadline. Suggested options for investing funds are itemized in Attachment “Options for Community Development Block Grant (CDBG) PY 2016 Amendments.”

\$450,000 CDBG PY 2017 Action Plan Funds: At the same time, the City is commencing its public process to consider priorities for the PY 2017 annual Action Plan for an estimated \$450,000 to be used during the program year that runs from September 1, 2017 - August 31, 2018 (see annual CDBG timeline attached). The decision for these funds must be concluded and submitted to HUD on or before July 2017. Options for these CDBG funds are itemized in Attachment “Options for Community Development Block Grant (CDBG) PY 2017 Annual Action Plan.” The sub-total for these options range from \$602,000 - \$907,000. Staff is looking for committee input to narrow the range of options for final consideration by City Council.

PY 2017 Public Timeline and Public Process: The Council has flexibility in creating a timeline to develop the PY 2017 CDBG Annual Action Plan so long as key deadlines are met and sufficient time is allowed for administrative work. If a “Request for Proposals” (RFP) is used, it should be launched by late February 2017. If the Council decides to identify activities, they can do so in public meetings open to stakeholders. Council can also conduct a hybrid process that includes some Council identified activities and others identified through a public RFP process. If an RFP process is pursued, the result of this process should produce proposed activities for the draft PY CDBG Annual Action Plan by April 2017. During May and June, staff will draft the PY 2017 Annual Action Plan and prepare materials for a public hearing. Final submission of the Annual Action Plan must occur on or before July 15, 2017.

Program Income and Spend-down Deadlines: HUD regulations require that the City spend down to 1.5 times its current grant. The regulatory intent is to ensure that tax-payers money is used promptly to meet community needs. In PY 2016, the target amount is to spend down to \$511,338 by June 30, 2017. At this time, the City needs to spend approximately \$310,000 to get down to the target amount. Because of the difficulty in estimating CDBG Program Income, the City often amends its current Annual Action Plan in order to fund projects that will expend money in a timely fashion. Please note there may be an additional \$105,000 in Program Income received between now and the June 30 deadline. Staff are looking for Committee recommendations to allocate these additional Program Income funds which are also listed along with the prior program year monies in Attachment “Options for CDBG Fund PY 2016 Amendments”.

CDBG Background

CDBG Purpose: The Community Development Block Grant (CDBG) Program was created as a “bundled” federal aid program intended to aid the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income. The program was designed with flexibility to allow communities to determine how to meet the specific local needs of low-moderate income individuals.

CDBG Annual Action Plan Referral: Every year the Council refers the initial review of the CDBG Program to General Government Committee for the purpose of developing recommendations on priorities and the public process for the coming program year.

Options for CDBG-funded Activities: The current CDBG Five-Year Consolidated Plan identifies the following five key strategies:

- **Economic Development**
Examples: Business training programs; CPTED Safety projects.
- **Housing Rehabilitation**
Examples: Renovation of Smith Building to create housing units. Can include both acquisition and rehabilitation has conducted by Homes First!
- **Land Acquisition**
Examples: Purchase of Griswold’s Building.
- **Public Services**
Examples: Capital Recovery Center Ambassador Program.
- **Public Facilities**
Examples: Community Youth Service’s Rosie’s Place Drop in Center.

The above five priorities were identified in the City’s strategic plan, the Five-Year Consolidated Plan (2013 - 2017). While Housing Rehabilitation and Public Services were identified as the highest priorities for the current annual action plan, the other three identified strategy areas are also eligible. Additionally, the Council could decide to add other CDBG-eligible strategic goals based on current conditions not anticipated at the time of the Five-Year Consolidated Plan development.

Neighborhood/Community Interests (if known):

The federal CDBG Program offers a flexible source of funding to meet a wide variety of affordable housing, social service, economic development and other community development needs. All neighborhoods and community stakeholders have an interest in how CDBG funds are invested in community development programs and projects.

Options:

1. Recommend the options in Attachment 1 for amending the current PY 2016 CDBG Action Plan, and provide direction on priorities for the PY 2017 Annual Action Plan.
2. Recommend other options for amending the current PY 2016 CDBG Action Plan, and provide direction on priorities for the PY 2017 Annual Action Plan.
3. Delay recommendations on PY 2016 CDBG Action Plan Amendment and direct staff to provide additional options at a future meeting. [Note: this option would prevent meeting HUD direction to re-allocate unexpended funds by March 2017.]

Financial Impact:

Staff estimates there will be approximately \$210,000 from unexpended CDBG funds to reallocate via the CDBG Amendment process prior to March 2017. Staff also estimates up to \$105,000 additional program income may be received in PY2016 that can be included in a PY2016 CDBG Amendment process. Staff estimates that there will be approximately \$450,000 in PY 2017 funds to be allocated by July, 2017. Attachment "Options for Community Development Block Grant (CDBG) PY 2017 Annual Action Plan" reflects a range of options for consideration ranging from \$602,000 to \$907,000.

Attachments:

Olympia CDBG Program - Annual Cycle
Options for CDBG PY 2016 Amendments
Options for CDBG PY 2017 Annual Action Plan