



City Council

Approval of Amending Community Development Block Grant (CDBG) Funding - Program Year (PY) 2016

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Title

Approval of Amending Community Development Block Grant (CDBG) Funding - Program Year (PY) 2016

Recommended Action

Committee Recommendation

At its Feb. 3 meeting, the General Government Committee is anticipated to recommend approval of amending the Program Year 2016 CDBG Annual Action Plan and directing staff to commence the 30-day public comment period.

City Manager Recommendation:

Move to approve amending the PY 2016 CDBG Annual Action Plan and direct staff to commence the 30-day public comment period.

Report

Issue:

Whether to amend its PY2016 CDBG Action Plan to include an additional \$315,000 from unexpended CDBG funds for new activities, in order to spend down CDBG funds in a timely manner?

Staff Contact:

Anna Schlecht, Community Service Programs Manager, Community Planning & Development Department, 360.753.8183

Presenter(s):

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

Background and Analysis:

Overview: Council needs to act quickly to amend the current Program Year (PY) 2016 Community Development Block Grant (CDBG) Program, in order to remain compliant with federal regulations. HUD has advised the City to either expend or re-allocate unexpended funds by March 21, 2017. The City must complete this amendment process and reallocate funds in the amount of \$315,000.

Due to scheduling delays, the recommendations from the February 3, 2017 General Government Committee will be presented orally at tonight's Council meeting.

Source of CDBG Funds: The City has approximately \$210,000 from past CDBG program years that has not been expended as quickly as anticipated. Of this amount, \$149,000 comes from a PY 2014 activity - the NDC's Technical Assistance contract to support the Grow Olympia Fund (GOF). This funding has not been expended because it only becomes eligible when a GOF loan is fully executed. An additional \$60,100 comes from unexpended prior year program income. 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 additional program income could be received in PY2016 that can be allocated at this time.

These funds must be allocated by the City for new activities that will expend funds in a timely manner to ensure compliance with HUD regulations.

PY 2016 Amendment - Public Timeline and Public Process: Because of the large amount of funding under consideration, the City must go through the full CDBG "**Substantial Amendment**" process to allow for citizen participation in how these funds are invested. The Attachment "Options for Community Development Block Grant (CDBG) PY 2016 Amendments" will be considered by the General Government Committee at its February 3, 2017, meeting. Committee recommendations will be orally presented to the Council.

Tonight, the Council must review the recommendations for amendments to the PY 2016 CDBG Annual Action Plan, and direct staff to commence a public process to allow for a 30-day Citizen Participation Process as follows:

February 7, 2017	Council Action to Start Allocation Process
Feb. 10th - March 13th	Public Comment Process (30-day review period of all proposed amendments)
February 28th	CDBG Amendments Public Hearing
March 21st	Council Approval - Consent Calendar
March 22nd	Report PY 2016 CDBG Amendments to HUD

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 at least \$310,000 additional funding to get down to the target amount.

Mid-year amendments are often necessitated for a number of reasons. First, it can be difficult to accurately estimate the amount CDBG Program Income to be received. Second, some activities in a given program year may not be expending funds in a timely manner and must be dropped in favor of new activities that that will expend funds more quickly in order to meet the spend down target.

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:

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

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. Move to approve the Committee recommendations orally presented for amending the current PY 2016 CDBG Action Plan,
2. Recommend other options for amending the current PY 2016 CDBG 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 risk a federal finding by missing the March 22, 2017 deadline.]

Financial Impact:

Staff estimates there will be approximately \$210,000 from unexpended CBDG funds to reallocate via the CBDG 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 CBDG Amendment process.

Attachments:

Options for CBDG PY 2016 Amendments
Olympia CBDG Program - Annual Cycle