

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

99-496

SYNOPSIS -

AGENDA:

NOVEMBER 15, 1999

City Council approval of the Program Year (PY) 2000 Consolidated Plan as recommended by the City Manager. The Plan allocates Community Development Block Grant (CDBG), HOME Investment Partnership Program (HOME), and Emergency Shelter Grant (ESG) funds for the period from January 1, 2000 - December 31, 2000.

SUBJECT:

PY 2000 HUD
CONSOLIDATED
PLAN APPROVAL

FISCAL IMPACT -

The Consolidated Plan includes a projected \$5,000,000 in CDBG funds; \$1,200,000 in HOME funding; and \$179,000 in ESG funds. In addition, there is projected program income totaling \$637,000, projected CDBG carryover and reprogramming funds of \$901,784, and \$1,684,200 of HOME carryover funds contained in the 2000 Consolidated Plan for a total of \$9,601,984.

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

RECOMMENDATION -

SUBMITTED BY:

ERIC A. ANDERSON
CITY MANAGER

Approval.

BACKGROUND -

The Housing and Community Development Act of 1974, as amended, requires the City to submit a Consolidated Plan for Housing and Urban Development (HUD) Community Planning and Development Programs including CDBG, HOME, and the Emergency Shelter Grant Programs.

Statutes for the grant programs set forth three basic goals that must primarily benefit low- and very low-income persons:

- Provide decent housing;

- Provide a suitable living environment; and
- Expand economic opportunities.

With the help of Community Development staff and representatives of public/private agencies including the state, county, United Way, and the Chamber of Commerce, the Neighborhood Revitalization Board (NRB) performed a needs assessment earlier this year. Needs in the categories of housing, community development, economic development, public services, and infrastructure were analyzed and prioritized. The NRB also held a public hearing on May 19, 1999, to receive input on community-wide needs and priorities.

The analysis showed a wide range of housing needs with the largest gap being decent, affordable rental units for households below 50 percent of the median family income. The NRB developed a five-year strategy to concentrate the limited federal funds on projects, which would increase the availability of both affordable rental and owner-occupied housing units. Included in this strategy is funding for those activities which help people to obtain and maintain affordable housing (i.e., jobs paying livable wages, day care for parents who are working or training for work, transportation and neighborhood revitalization activities).

On June 21, 1999, the City Council adopted the priority goals and objectives recommended by the NRB and authorized distribution of Request for Proposals to potential operating agencies for programs to address the objectives.

The City received proposals from 34 public and/or private agencies requesting \$9,360,520 for 61 separate activities. This was 36 fewer requests than last year and reflects the NRB's efforts to target the federal funds to address specific needs.

Community Development staff, together with representatives of public and private agencies, rated the proposals. The rating system emphasized agency capacity, funding leverage, past performance, goals and objectives.

On September 14, 15, and 16, the NRB heard presentations from agencies submitting proposals and met in an all-day session of September 18, 1999, to finalize their recommendations for funding. The City Council received the NRB recommendations on October 4 and directed that a notice

be published regarding the availability of the proposed plan for public review, and set the date for a public hearing on November 15, 1999 to finalize the 2000 Consolidated Plan. The Plan must be submitted to HUD at least 45 days before the implementation date of January 1, 2000.

Funds Available

The estimated amount of carryover funds available at the time that the NRB finalized their recommendations has changed. An additional \$125,000 will be available from the 1999 Demolition project. There is also \$60,000 of program income from the Neighborhood Housing Services program that was not included in the total funds available for PY 2000.

Management, Monitoring, Citizen Participation, Indirect Costs, Planning, and Sec 108 Repayments

HUD regulations allow entitlement communities to allocate 20 percent of CDBG and program income funds for the above costs. Based on the 2000 projection, this would amount to \$1,115,400. The management, monitoring, and citizen participation costs are \$567,968 (10.2 percent). HUD's new 2020 system requires that Neighborhood Revitalization Planning costs be charged against administration. These costs were previously charged under the housing category. The planning costs are \$108,502 (1.9 percent). The indirect costs for 2000 will be \$223,530 (4.0 percent). The total costs are \$900,000 or 16.1 percent. The \$215,400 difference between what is allowed and the actual cost was made available for programs.

The Section 108 Loan repayments are:

Grubb YMCA (6th of 9 payments)	\$146,995 (\$303,005 balance)
Archie Brooks Center (5th of 9 payments)	\$155,927 (\$404,073 balance)

Public Services

The NRB has recommended that 12.9 percent (\$721,452) of the projected 2000 CDBG entitlement and program income be allocated to public services. In 1999, 17.4 percent (\$879,650)

was allocated to this category of activities. The recommended projects are in support of affordable housing and homeless activities, and I agree with the NRB's recommendations.

Housing, Infrastructure, Economic Development, and Employment

My recommendations, which differ from the NRB's in these project categories, are as follows:

Neighborhood Housing Services (NHS) - High Risk Loan Program

This project has three categories of service: 1) minimum rehab of \$10,000 for households below 80 percent of Median Family Income (MFI); 2) emergency rehab up to \$7,000; and 3) minimum rehab of \$10,000 for households above 80 percent of MFI. HOME funds cannot be used for Category 2 and 3 households. I recommend that \$100,000 of CDBG funds from the additional demolition carryover be allocated to this project, that the \$200,000 HOME funding be reallocated to the HOME Non-profit Rehabilitation program which will set aside \$40,000 for the NHS Owner-occupied Category 1 program, and projected program income of \$60,000 be available to the project to be used in any category. The total amount available to the agency will still remain at \$200,000.

Housing Conservation Division - Acquisition/Rehab

The NRB has recommended that the house-moving component of this program be emphasized to a greater extent. The City is currently working with MidAmerican Energy Co. to establish methods which would reduce the cost of moving utility lines and make house-moving more economical. These methods could include a corridor and/or common route for moving houses.

I am recommending that \$133,825 of CDBG funds be transferred from Acquisition/Rehab to the Grandshire Sewer project.

NRB Recommendation	\$533,825
City Manager Recommendation	400,000
Total 2000	\$400,000

Housing Conservation Division - HOME Nonprofit Rehab

As explained above, I recommend that \$200,000 of HOME funds be transferred from NHS to the Housing Conservation Division's HOME Nonprofit Rehab project. At least \$40,000 of these funds will be reserved for NHS. Other nonprofit housing agencies will also have access to these funds.

NRB Recommendation	\$353,000
City Manager Recommendation	553,000
Total 2000	\$553,000

Engineering Department - Demolition

The NRB has recommended \$250,000 for demolition activities. I am recommending that an additional \$25,000 in carryover funds from the 1999 Demolition project be added to this amount.

The NRB has also recommended that the City's demolition procedures be reviewed in order to make the program more efficient and effective. We plan to present the City Council with major changes to the demolition procedures for your review and approval in the near future. With the adoption of these procedures, it is anticipated that the Engineering Department will operate this program and potential cost savings will be realized from the streamlined process.

NRB Recommendation	\$250,000
City Manager Recommendation	275,000
Total 2000	\$275,000

Engineering Department - Grandshire Area Sanitary Sewer

I am recommending that \$133,825 be transferred to this project from the NRB recommended amount for Acquisition/Rehab. There is an emergency public health problem in the Grandshire area, which needs to be resolved as soon as possible.

NRB Recommendation	\$137,867
City Manager Recommendation	271,692
Total 2000	\$271,692

Neighborhood Development - Gray's Woods Flood Buyout

The NRB is recommending \$100,000 for this project instead of the \$310,000 requested. The Federal Emergency Management Authority (FEMA) and the City are discussing how deed restrictions placed on properties acquired in other flood areas can be transferred on an acre for acre basis at market rates. This will allow the City to use the proceeds from the sale of properties in the Frisbie area to help finance the Gray's Woods Buyout. The funding recommended by the NRB should be sufficient for the first year of operation and additional funds will be requested, if needed, in later years.

NRB Conditions

I am in agreement with the NRB's recommendations to: 1) condition the allocation for the Knight's Hospitality House on the agency developing a collaborative program with other transitional housing programs for women; 2) that staff report to the NRB on major elements of the Redevelopment Pool for each Neighborhood Redevelopment project before final approval; 3) that there be a sufficient set-back to allow for future expansion of the roadway for the Martin Luther King, Jr. Parkway, if redevelopment funds are used in this area; and 4) that staff present changes to the Home Improvement Loan and HOME Owner/Occupied programs raising loan amounts, adjusting interest rates, and providing information on how Federal Home Loan Bank funds are utilized in these programs as soon as the Neighborhood Conservation Division's administrative positions are filled.

At the City Council meeting on October 4, 1999, the question was asked if CDBG funds could be used to pay the permit and street barricade costs for block parties in low-/moderate-income neighborhoods. The eligibility of this activity is questionable and I do not recommend using CDBG funds for this activity.

I appreciate the NRB's efforts to streamline and target the Consolidated Plan programs over the next five years. I agree with their strategies and look forward to working with the

Board to implement programs that will provide decent safe and affordable housing for low-income residents of the City.

Attachment

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