

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

00-497

SYNOPSIS -

AGENDA:

NOVEMBER 6, 2000

City Council approval of the Program Year (PY) 2001 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 - December 31, 2001.

SUBJECT:

PY 2001 HUD
CONSOLIDATED
PLAN APPROVAL

FISCAL IMPACT -

The Consolidated Plan includes a projected \$5,100,000 in CDBG funds; \$1,282,000 in HOME funding; and \$180,000 in ESG funds. In addition, there is projected CDBG program income totaling \$727,600; projected HOME program income of \$60,000; projected CDBG carryover and reprogramming funds of \$1,244,093, \$82,000 of HOME carryover, and \$1,000 of ESG carryover funds contained in the 2001 Consolidated Plan for a total of \$8,676,693 funds available.

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

RECOMMENDATION -

SUBMITTED BY:

Approval.

ERIC A. ANDERSON
CITY MANAGER

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 ESG 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.

Earlier this year, the Neighborhood Revitalization Board (NRB) reviewed an extensive needs assessment that was prepared last year for the five-year Consolidated Plan Strategy. Needs in the categories of housing, community development, economic development, public services, and infrastructure were analyzed and prioritized. The NRB also held a hearing on May 31, 2000, to receive public input on community-wide needs and priorities for the PY 2001-second year action plan.

The analysis shows 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 low-income persons obtain and maintain affordable housing (i.e., jobs paying livable wages, day care for parents who are working or training for work, and neighborhood revitalization activities).

On June 26, 2000, the City Council adopted the priority goals and objectives recommended by the NRB, and authorized distribution of Requests for Proposals (RFPs) to potential operating agencies for programs to address the objectives.

The City received proposals from 31 public and/or private agencies requesting \$12,026,503 for 52 separate activities. This is 45 fewer requests than were received in the past two years 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. Staff also provided funding recommendations to the NRB along with the ratings.

On September 12, 13, and 14, the NRB heard presentations from agencies submitting proposals and met in an all-day session of Saturday, September 16, 2000, to finalize their recommendations for funding. The City Council received the NRB recommendations on September 25, 2000, and directed that a notice be published regarding the availability of the proposed plan for public review. The Council also set the date for a public hearing on November 6, 2000, to finalize the 2001 Consolidated Plan. The Plan must be submitted to HUD at

least 45 days before the implementation date of January 1, 2001.

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 2001 projection, this would amount to \$1,165,520. The management, monitoring, and citizen participation costs are \$598,638 (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 \$165,924 (2.8 percent). The indirect costs for 2001 will be \$235,000 (4.0 percent). The total costs are \$999,562 or 17.0 percent. The \$165,958 difference between what is allowed and the actual cost is being made available for programs.

The Section 108 Loan repayments are:	
Grubb YMCA (7th of 9 payments)	\$138,030 (\$164,975 balance)
Archie Brooks Center (6th of 9 payments)	\$146,995 (est.- \$257,078 balance)

Housing, Infrastructure, Economic Development and Employment, and Community Development

My recommendations differ from the NRB's in four main areas.

1. The current staffing levels in the Neighborhood Inspection Division must be maintained if we are to address the issues of junk and debris.
2. The projected carryover for the City's Economic Development programs should be allocated to economic development activities.
3. The City must fulfill its commitment to assist low-/moderate-income families affected by the Grandshire Sanitary Sewer Project.
4. The Sherman Hill project should be funded from CDBG and HOME funds set-aside in the Neighborhood Conservation Services - New Construction project.

To address these areas, I am recommending the following adjustments:

Neighborhood Inspection Division - Environmental/Rental Code Enforcement

City staff responds to over 8,000 public nuisance complaints annually. The largest majority of complaints are against properties located in the low-/moderate-income areas of the City. I am recommending \$100,000 more in CDBG funding than the NRB. This is essential, as the City has placed a high priority on more efficient and effective removal of junk and debris from neighborhoods.

The funds would come from the following: \$50,000 from CDBG funds allocated to Sherman Hill Redevelopment (the Sherman Hill project will be funded in full from HOME money); \$25,000 from MTA-Opportunities Thru Transit (current spending levels indicate that there will be \$8,000 of unspent funds which can be carried over, and I am recommending that Opportunities Thru Transit (OTT) be given the first \$17,000 of reprogramming funds); and \$25,000 from SCRUB (CDBG spending on SCRUB is limited to low-/moderate-income areas of the city, and our history indicates that the remaining sum is adequate).

NRB Recommendation	\$225,000
City Manager Recommendation	\$325,000

Office of Economic Development - Action/Revolving/Injection Loan Program

I am recommending that the \$390,000 reduction in projected carryover funds recommended by the NRB be restored to these programs. The City needs the flexibility and capacity to assist businesses to create and/or retain decent jobs.

The CDBG carryover funds will come from the following projects: \$100,000 Neighborhood Infrastructure Rehab Project (this amount will be made up from the additional funding I will be recommending in the Capital Improvements Program); \$100,000 from CHDC-Home Ownership program (this project will still receive \$105,000 more than this year's allocation); \$150,000 from Neighborhood Conservation Services (NCS) - Owner/Occupied Rehabilitation; and \$40,000 from NCS - Investor Owned Rehabilitation.

NRB Recommendation	\$350,000
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City Manager Recommendation	\$740,000
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Engineering Department - Grandshire Sanitary Sewer Improvements

These funds would allow eligible households to make the required plumbing improvements in order to hook up to the new sanitary sewer, which will be installed in the Grandshire area. These funds will be combined with \$375,000 of Sewer Enterprise money to address this critical health and safety issue in the Grandshire neighborhood.

The \$150,000 will come from shifting the Sherman Hill Redevelopment allocation from CDBG to HOME funding. Sherman Hill Redevelopment will be funded in full from HOME funds.

NRB Recommendation	-0-
City Manager Recommendation	\$150,000

NCS Investor Owned Rehabilitation

I am recommending that \$80,000 be transferred from the NCS - New Construction project to the rental housing program where there is the largest gap in affordable housing.

NRB Recommendation	\$540,000
City Manager Recommendation	\$580,000

NCS - Sherman Hill Redevelopment

This project is proposed for the corner of 15th Street and Woodland Avenue. The Woodland Avenue Brownstones is a mixed-use development and will offer residential and office space, artists' lofts, and a retail component. The use of HOME funds in this project will ensure that a proportional number of units are designated for low-income tenants.

I am recommending that \$20,000 of CDBG funds in the NCS - New Construction project be allocated to the Sherman Hill project. This amount will be sufficient to administer the \$200,000 of HOME funds that will be set-aside for Sherman Hill.

In addition, I am recommending that the Sherman Hill project

demonstrate significant progress in securing the site and the other funding for this project by July 1, 2001.

	<u>CDBG</u>	<u>HOME</u>
NRB Recommendation	\$200,000	-0-
City Manager Recommendation	\$ 20,000	\$200,000

NRB Conditions

I recommend that staff work with agencies and City departments to review the NRB conditions and determine the feasibility of implementing the various recommendations.

NCS Funding

The City Council is advised that there is a significant reduction in federal funding for NCS projects compared to previous years. Unless other funding sources are identified, there will be limited resources to rehabilitate tax certificate properties, public nuisances, and house moving and acquisition/rehab projects.

I am directing Community Development staff to aggressively seek funding from other sources, including renegotiating rehabilitation service contracts, in order to reduce our dependence on CDBG and HOME funding and increase the overall community's commitment to affordable housing programs.

While this transition takes place, I am recommending that NCS be given first priority for any additional HOME funds, which may become available from the 2001 entitlement.

I appreciate the NRB's time and effort in developing the Second Action Year Plan for the Five-year Consolidated Plan, 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