



Council Communication

Office of the City Manager

Date

November 20, 2006

Agenda Item No. 47

Roll Call No. 06-

Communication No. 06-712

Submitted by: **Richard A. Clark, City Manager**

AGENDA HEADING:

Public hearing and approval of the Proposed Third Year Action Plan (2007) of the 2005-2009 U.S. Department of Housing and Urban Development (HUD) Consolidated Plan.

SYNOPSIS:

This action approves the Third Year Action Plan (2007) of the 2005-2009 HUD 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) funding for the period of January 1 to December 31, 2007.

FISCAL IMPACT:

Amount: \$6,120,635

The Program Year (PY) 2007 HUD block grant entitlement funds available in the three programs included in the Consolidated Plan are currently estimated to be:

- Community Development Block Grant (CDBG), \$4,650,000
- Home Investment Partnership (HOME) Program, \$1,145,000 (includes \$25,000 of projected American Dream Downpayment Initiative (ADDI) funding)
- Emergency Shelter Grant (ESG), \$195,000
- Reprogrammed funds, \$130,635 (see Attachment 1)

Funding levels are contingent on final Federal Congressional and Executive action.

Funding Source:

HUD CDBG (CDBG2007009); 2006-07 Operating Budget, Page 313, SP020 CDD049900

HOME (HOME2007009); 2006-07 Operating Budget, Page 315, SP036 CDD049900

ESG (HESG2007009); 2006-07 Operating Budget, Page 315, SP039 CDD049900.

ADDITIONAL INFORMATION:

The Housing and Community Development Act of 1974, as amended, requires the City to submit a Consolidated Plan for HUD Community Planning and Development Entitlement Grants including CDBG, HOME, and 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.

On May 8, 2006, by Roll Call No. 06-899, the City Council adopted the priority goals and objectives recommended by the Neighborhood Revitalization Board (NRB) and authorized distribution of Notices of Funding Availability (NOFAs) to potential operating agencies for programs to address the objectives.

The City received proposals from 23 public and/or private agencies requesting \$6,671,809 for 34 separate activities. Staff in the Community Investment Administration Division of the Housing Services Department, together with representatives of public and private agencies, rated the proposals. The rating system emphasized agency capacity, funding leverage, past performance, goals, and objectives. In addition to the ratings, the staff provided funding recommendations to the NRB.

On September 12 - 14, 2006, the NRB heard presentations from agencies submitting proposals. On Saturday, September 16, 2006, the board met to finalize its recommendations for funding. The City Council received the NRB recommendations on October 9, 2006.

At their meeting on September 25, 2006, Council directed that a notice be published regarding the availability of the proposed plan for public review, for a period of 30 days. The Council also set the date for a public hearing for November 6, 2006 to finalize the 2007 Consolidated Plan. On November 6, 2006, the City Council continued the Public Hearing to November 20, 2006. The 2007 Consolidated Plan will be submitted to HUD prior to December 1, 2007. At the time Council set the date of hearing, the suggestion was made that staff consider funding for a Neighborhood Commercial Development initiative as well as funding for enhanced neighborhood capacity. These have both been addressed in the recommendations below.

At the Council Workshop on November 1, 2006, the City Council reviewed the allocation process, contract administration, and monitoring, and received recommendations for improving the administration of the program. The material presented at the workshop and Council's desire to strengthen administrative procedures were an essential consideration in the formulation of these recommendations.

Administration, Public Services, and CHDO Allocations

Under HUD regulations, there is a cap of 20% on the amount of CDBG funds that can be allocated for administration. The proposed allocation (\$962,184) for administration is 20.6% of the estimated 2007 CDBG entitlement. When program income is added at the end of the program year, administration will be approximately 16% of the total funds available for 2007.

Staff recommends that the Des Moines Neighbors proposal for a Resource Office be funded at \$15,000. This is a neighborhood capacity building project, which is classified as administration under the HUD regulations. The City also helps to fund (\$20,000) a position at United Way, which provides support services to the Polk County Housing Continuum in the areas of strategic planning, Point-in Time homeless counts, peer reviews of all agencies providing services to the homeless, performance measurement, and preparation of the annual Continuum of Care application. Other funders include the State, County, United Way, and the Greater Des Moines Community Foundation. These agencies each contribute \$35,000 annually and the City Manager recommends that if sufficient funds become available through reprogramming, the City's contribution be increased to the level of the other funders.

There is a 15% cap on the CDBG funds that can be allocated for public services. However, there is a "grandfather clause" that allows cities to spend up to the percentage of funds that were allocated in 1982 when the regulations were changed. Des Moines can spend up to 20% of entitlement funds and the previous year's program income for public services. We are recommending that \$749,500 (16.1%) be allocated for public services in 2007. When program income is added to the estimated 2007 allocation, the City should be under the national cap.

A minimum of 15 % (\$168,000) of HOME funds has to be allocated, by regulation, to Community Housing Development Organizations (CHDOs). Another 5 % (\$56,000) can be allocated for CHDO operating expenses, if appropriate. There is a 10 % cap on HOME administrative costs and no administration can be charged against ADDI. The City Manager's recommendation meets these requirements.

Proposal Recap:

The City received funding requests from 23 agencies and City departments proposing 34 activities totaling \$6,671,809. The funding requests exceed the total amount available for CDBG, HOME, and ESG (\$5,025,044) by \$1,646,765. The attached table of 2007 HUD Consolidated Plan funding recommendations reflects both the NRB and City Manager's funding recommendations. The City Manager's recommendations are based on the possibility of reduced federal funding and allocate funds to established programs rather than funding new programs that have not received CDBG allocations in previous years. The Manager's recommendations also include an additional \$40,000 of CDBG and \$10,953 of ESG funds that were recaptured when the Excel Community Outreach programs were cancelled earlier this year. These funds were not included in the amount that the NRB was projecting since a final determination on the contracts had not been made when the NRB was considering its recommendations. The City Manager supports the NRB recommendations with the following exceptions/comments:

Office of Economic Development – Neighborhood Commercial Revitalization

NRB Recommendation - \$0

City Manager Recommendation - \$208,998

During City Council goal setting sessions, the Council adopted Neighborhood Commercial Revitalization as a city-wide goal. Additionally, commercial revitalization is a priority under the recent Stockard/Engler follow-up study on neighborhood revitalization. While staff changes in OED contributed to the proposal being submitted late, the City Manager does not consider that to be sufficient reason not to fund this important initiative. The Manager will also direct OED to give priority for commercial improvements to designated neighborhoods, except when extenuating circumstances, such as other funding, environmental issues, etc., affect the timely implementation of such projects. The City Manager's recommendation of \$208,998 is derived from adding \$40,000 of unspent Excel Community Outreach funds and moving funds from the following projects: ISED - \$30,000, Forest Ave. Redevelopment - \$20,000, NCS Housing Opportunities (CDBG) - \$98,998, NFC Homebuyer Education - \$10,000, and SCRUB - \$10,000.

ISED – Microenterprise Development

NRB Recommendation - \$30,000
City Manager Recommendation - \$0

ISED is a large non-profit with revenues from public and private sources totaling over \$4 million annually and has the capacity to obtain other funding.

Home Connection – Transitional Housing Program

NRB Recommendation - \$25,000 CDBG
City Manager Recommendation - \$25,000 CDBG and \$10,953 ESG

The Home Connection project is under new management and has reduced overhead costs by collaborating with Hawthorne Hills Ministry to share administrative staff and space. The City Manager recommends that the recaptured ESG funds from Excel Community Outreach be allocated to this project.

Comm. Develop. Dept. – NDD - Forest Avenue Redevelopment

NRB Recommendation - \$170,000
City Manager Recommendation - \$150,000

Historically, redevelopment projects are not carried out as quickly as projected. This funding along with currently unspent funds of \$332,528 should sustain project activities in 2007.

Comm. Develop. Dept. – NCS – Housing Opportunities – CDBG

NRB Recommendation - \$1,198,998
City Manager Recommendation - \$1,100,000

This program usually has carry over funding at the end of the program year, and should be able to meet their goals in 2007.

Home Owner Counseling Projects

NRB Recommendations - \$50,000 to CCI and \$60,000 to NFC
City Manager Recommendation - \$50,000 to CCI and \$50,000 to NFC

The City Manager recommends that only one Home Owner Counseling project be funded after this year (in 2008). Staff will request that the agencies submit a single proposal for Home Owner Counseling and related services in 2008. The proposal should outline how CCI and NFC will collaborate to perform outreach, enroll and counsel potential homeowners. The City Manager recommends moving \$10,000 from NFC to Neighborhood Commercial Revitalization.

Creative Visions –Project Turnaround

NRB Recommendation - \$50,000

City Manager Recommendation - \$50,000

For the past two years, Creative Visions has not been in compliance with reporting, record keeping, and documentation requirements contained in its contract with the City. Monitoring Staff has provided technical assistance on several occasions to resolve these problems. Early this year, there was an issue regarding 70 lost files that later were found, but determined to be incomplete. In addition, a concerned citizen claimed that the agency falsified files. The City froze reimbursement to the agency while Monitoring Staff attempted to contact 183 clients from 2005 and 39 from 2006 to verify that they had received services from Creative Visions. Only 27.4% of the clients responded to the telephone survey after several attempts. From the clients that responded, there was no evidence that any client files had falsified names or had not been offered or provided services. Based on this information, the City released the frozen funds.

The NRB's recommendation was contingent on the results of the recent monitoring review of the agency's client files. Based on the past history of compliance issues, the City Manager recommends that funding not be available to Creative Visions until April of 2007. This funding would be contingent on the agency maintaining a 90% rate of accuracy in client files and eligibility and case management documentation during the first quarter of 2007. Files will be determined accurate and in compliance if they are complete. The following items are some of the information that needs to be documented in the agency's client files:

- Client eligibility
- Proper identification
- Timely case notes on client progress
- Client job status
- Six month follow up

Additionally, staff will be directed to review Creative Visions client files at least quarterly and if the agency fails to maintain a 90% accuracy rate in client files, the City Manager may terminate the contract. Also, it should be noted that Creative Visions met its goals for job placement in 2005 and is currently exceeding them in 2006. While the compliance issues have resulted in a \$25,000 funding reduction from the previous two years, we expect the agency to make progress with compliance issues and we will provide technical assistance to help ensure this happens.

Also, based on the findings of the Des Moines Workforce Services Scan conducted on behalf of the Des Moines Agenda One Economic Self-sufficiency Cluster (currently administered by United Way), the City Manager agrees with the NRB recommendation that the City support the initiative to coordinate job training/placement efforts between local service providers and employers.

Public Works Department – SCRUB

NRB Recommendation - \$110,000

City Manager Recommendation - \$100,000

The City Manager's recommendation should be sufficient to fund this effort in low/mod income areas of the City. The Manager will also direct the Public Works Department to investigate the feasibility of reducing or eliminating the \$35 fee to low-income households for removal of large appliances.

Carryover, Contract Extensions and Program Income:

The NRB will review requests for contract extensions, carryover funds and program income after the first of the year, when these can more accurately be determined. Their recommendations will be forwarded to the City Council.

The City Manager also recommends that Primary Health Care – Clinic Operations be given first priority for reprogramming or additional funding that becomes available in 2007 up to \$27,000, and that Neighborhood Commercial Revitalization be given second priority.

Management Protocols

Compliance with certain management protocols will be expected for agencies contracting with the City for HUD Consolidated Plan funding. Most of these items have been required in the past, but several have been added and/or expanded. The additional information that will be required of agencies submitting proposals includes:

- Written procedures and policies regarding total Board and employee compensation
- Notification of any by-laws changes
- Board meeting notification
- Board training and orientation
- Job descriptions, salary ranges, nepotism
- Operating and capital budgets
- List of other funders and amounts

The City requires agencies to submit a copy of their financial audit (if required), financial statements, or a letter of assurance from a CPA to the City if they receive CDBG/HOME/ESG funds. For the 2008 allocations, the City will require all agencies that have annual budgets in the excess of \$150,000 to have a full independent audit completed prior to receiving funding. We recommend that this new requirement not be implemented until 2008 in order to allow agencies time to reflect this expense in their budgets.

Also, an annual assessment by the City of compliance with the protocols will be conducted prior to future funding decisions.

Contract Administration and Monitoring

During the City Council workshop on November 1, 2006, recommendations were made for contract administration and monitoring. The following requirements will be made for the 2007 allocations:

- Standard Conflict of Interest Policy must be adopted by agencies receiving funding
- Standard Procurement Policy must be adopted by agencies receiving funding
- Require agencies that receive funding to attend a session regarding the requirements of their contract
- Continue income verification training for agencies receiving funding
- Require nonprofit management training with approved curriculum when monitoring funds compliance issues

The City of Des Moines must comply with the requirements of 24 CFR Part 42.325, the Residential Anti-displacement, and Relocation Assistance Plan. As part of the City's HUD Consolidated Plan under

24 CFR Part 91, the City must certify that the City has in effect and is following a residential antidisplacement and relocation assistance plan. The Roll Call approving the Third Year Action Plan (2007) of the 2005-2009 HUD Consolidated Plan amends the Consolidated Plan by incorporating the Investor – Owned Rehabilitation Program Manual (dated July 1, 2002) to comply with the aforementioned requirement.

The City Manager is grateful to the Neighborhood Revitalization Board for their diligent efforts in reviewing all of the proposals that were submitted for funding. Their work contributes to ensuring that this limited amount of funding is allocated to agencies that will have the greatest impact in our community.

PREVIOUS COUNCIL ACTION(S):

Date: September 25, 2006

Roll Call Number: 06-1874

Action: On proposed Third Year Action Plan (2007) of the 2005-2009 U.S. Department of Housing and Urban Development (HUD) Consolidated Plan, (11-6-06). (Council Communication No. 06596). Moved by Vlassis to adopt. Motion Carried 6-0.

BOARD/COMMISSION ACTION(S):

Date: September 16, 2006

Roll Call Number: N/A

Action: The Neighborhood Revitalization Board (NRB) finalized funding recommendations.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE