



Council Communication

Office of the City Manager

Date

November 19, 2007

Agenda Item No. 49

Roll Call No. 07-

Communication No. 07-694

Submitted by: Richard A. Clark, City Manager

AGENDA HEADING:

Public Hearing and Approval of the Proposed Fourth Year (2008) Action Plan of the 2005-2009 U.S. Department of Housing and Urban Development (HUD) Consolidated Plan.

SYNOPSIS:

Recommend approval of the Fourth Year (2008) Action Plan of the 2005-2009 HUD Consolidated Plan as recommended by the City Manager. The Action 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, 2008.

FISCAL IMPACT:

Amount: \$6,195,000

Currently, the Program Year (PY) 2008 HUD block grant entitlement funds available in the three programs included in the Consolidated Plan are estimated to be:

- Community Development Block Grant (CDBG) - \$4,750,000
- Home Investment Partnership (HOME) Program - \$1,175,000; this amount includes \$25,000 of projected American Dream Downpayment Initiative (ADDI) funding.
- Emergency Shelter Grant (ESG) - \$195,000
- Reprogrammed funds, 2006 CDBG Funding for Central Iowa Employment Training Consortium (CIETC) - \$75,000 (see roll call attachment)

Funding levels are contingent on final U.S. Congressional and Presidential approval.

A decision based on the recommendations of the Neighborhood Revitalization Board (NRB) and City Council approval will be made regarding 2009 program year funding within 120 days after completion of the 2008 program year.

Funding Source:

- HUD CDBG (CDBG2008009); FY 2007-08 Operating Budget, Community Development, Page 106, SP020 CDD049900
- HOME (HOME2008009); FY 2007-08 Operating Budget, Community Development, Page 107, SP036 CDD049900
- ESG (HESG2008009); FY 2007-08 Operating Budget, Community Development, Page 107, 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 21, 2007, by Roll Call No. 07-980, the City Council adopted the priority goals and objectives recommended by the NRB and authorized distribution of Notices of Funding Availability (NOFAs) to potential operating agencies for programs to address the objectives.

The City received proposals for 36 separate activities for the 2008 program year (January 1 to December 31, 2008). 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. The staff recommendations focus on programs that provide permanent improvements including housing rehabilitation, new construction, infrastructure improvements, economic development, and neighborhood appearance and safety. The staff also provided funding recommendations to the NRB along with the ratings.

On September 18 - 20, 2007, the NRB heard presentations from agencies submitting proposals and met on Saturday, September 22, 2007, to finalize their recommendations for funding. The City Council received the NRB recommendations on October 8, 2007.

At their meeting on October 8, 2007, 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 19, 2007, to finalize the 2008 Action Plan of the 2005-2009 HUD Consolidated Plan. The 2008 Consolidated Plan will be submitted to HUD prior to December 1, 2007.

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 (\$889,293) for administration is 18.7% of the estimated 2008 CDBG entitlement. However, capacity building and planning projects, if funded at their requested amounts, including Des Moines Neighbors (\$25,000), Drake & Sherman Hill Historic Housing Studies (\$8,000), Fair Housing staff (\$85,000) and the Polk County Housing Continuum (\$50,000), are also charged against the Administrative Cap. When estimated program income of \$600,000 is added to the total CDBG funds available at the end of the 2008 program year, administration will be 19.8%.

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. Staff is recommending that \$868,500 (18.3%) be allocated for public services in 2008. When program income is added to the estimated 2008 allocation, the allocation should be at 16.2%.

A minimum of 15 % (\$172,500) of HOME funds has to be allocated, by regulation, to Community Housing Development Organizations (CHDOs). Another 5 % (\$57,500) 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 22 agencies and City departments proposing 36 activities totaling \$5,806,159 for the 2008 program year (January 1 to December 31, 2008). The funding requests exceed the total amount available for CDBG, HOME, and ESG (\$5,171,207) by \$634,952. The attached tables of 2008 and 2009 HUD Consolidated Plan funding recommendations include both the NRB and City Manager's funding recommendations. Additionally, the City Manager has included in the attached tables grant amounts of Supportive Housing Program (SHP) funding received by some of the homeless agencies recommended to receive CDBG funding. The City Manager supports the NRB recommendations with the following exceptions/comments:

Neighborhood Based Service Delivery – Neighborhood Inspection Division

NRB Recommendation - \$732,500

City Manager Recommendation - \$762,500

The City recently learned that the health insurance estimates for FY 2009 would be 20% more than rates used for FY2008. The Neighborhood Inspection Division did not have this information when they submitted their proposal in early July. The \$30,000 increase will cover staff benefits reimbursed through the CDBG program. The \$30,000 increase is funded by reducing the Demolition Project's allocation recommended by the NRB from \$85,000 to \$55,000. For the past few years, there has been an average of \$60,000 of CDBG program income that can be used for this activity. The financial report for the period ending September 30, 2007, shows a balance of \$381,894. This amount, if carried over to 2008 and added to the recommended allocation and the program income, would provide \$496,894 for Demolition in 2008.

Community Development Department – Polk County Housing Continuum Technical Assistance

NRB Recommendation - \$50,000 for 2008 Program Year only

City Manager Recommendation - \$50,000 for 2008 Program Year and \$50,000 for 2009 Program Year

This allocation will be used to hire a consultant to work in conjunction with the Polk County Housing Continuum to prepare a comprehensive plan to address chronic homelessness in Des Moines and to analyze the city's current approach to homeless service provision, recommending any changes that may be needed. Funding from the 2009 Program Year may be needed to fully fund this service.

Primary Healthcare – Clinic Operations Support

NRB Recommendation - \$20,000

City Manager Recommendation - \$20,000

It is recommended that this project receive first priority for funding from reprogramming if any funding is available. This would be an additional \$7,000 for their clinic operations.

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.

Management Protocols

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. For the 2008 allocations, the City will require all agencies that have annual expenditures in excess of \$150,000 to have a full independent audit completed prior to receiving funding.

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: October 8, 2007

Roll Call Number: 07-1943

Action: On Proposed Fourth (2008) Year Action Plan of the 2005-2009 U.S. Department of Housing and Urban Development (HUD) Consolidated Plan, (11-19-07). (Council Communication No. 07-600) Moved by Hensley to adopt. Motion Carried 7-0.

Date: October 8, 2007

Roll Call Number: 07-1944

Action: Communication from Neighborhood Revitalization Board (NRB) regarding the Fourth (2008) and Fifth (2009) Year Action Plans. Moved by Hensley to receive and file and refer to City Manager. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Date: September 22, 2007 (Neighborhood Revitalization Board - NRB)

Roll Call Number: N/A

Action: Approval of funding recommendations.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE