

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date	November 24, 2008
	Agenda Item No. 42 Roll Call No. <u>08-</u> Communication No. <u>08-695</u> Submitted by: Richard A. Clark, City Manager	

AGENDA HEADING:

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

SYNOPSIS:

This action approves the Fifth (2009) Year 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, 2009.

FISCAL IMPACT:

Amount: \$5,345,000

The Program Year (PY) 2009 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), \$4,250,000
- Home Investment Partnership (HOME) Program, \$900,000
- Emergency Shelter Grant (ESG), \$195,000

Funding levels are contingent on final Congressional and Presidential approval.

Funding Source:

HUD CDBG (CDBG2009099); 2008-09 Operating Budget, Page 106, SP020 CDD049900
HOME (HOME2009000); 2008-09 Operating Budget, Page 108, SP036 CDD049900
ESG (HESG2009099); 2008-09 Operating Budget, Page 109, 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 for the 2-year period of January 1, 2008 to December 31, 2009.

The City received proposals for 35 separate activities for the 2008/2009 program years. 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 focused 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 Neighborhood Revitalization Board (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. After public review the City Council approved the 2008 HUD Consolidated Plan at a Public Hearing on November 19, 2007 and also approved the 2009 allocations contingent on sufficient 2009 CDBG, HOME and ESG funding.

On September 8, 2008, because of significant reductions of projected 2009 HUD funding, the NRB adopted amended funding recommendations for the 2009 HUD Consolidated Plan which were received by the City Council at their meeting on September 22, 2008, by Roll Call Number 08-1653.

At their meeting on September 22, 2008, 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 10, 2008 to finalize the 2009 Action Plan of the 2005-2009 HUD Consolidated Plan. The 2009 Consolidated Plan will be submitted to HUD prior to December 1, 2008.

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 (\$850,000) for administration is 20% of the estimated 2009 CDBG entitlement. However, capacity building and planning projects, if funded at their requested amounts, including Des Moines Neighbors (\$25,000) and the Polk County Housing Continuum (\$50,000) are also charged against the Administrative Cap. When program income is added to the total CDBG funds available at the end of the 2009 program year, administration should be under the national cap.

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. The NRB is recommending that \$774,608 (18.2%) be allocated for public services in 2009. When projected program income is added to the estimated 2009 allocation the City should at 16.0%.

A minimum of 15 % (\$135,000) of HOME funds must be allocated, by regulation, to Community Housing Development Organizations (CHDOs). Another 5 % (\$45,000) may be allocated for CHDO

operating expenses, if appropriate. There is a 10 % cap on HOME administrative costs and the City Manager's recommendation meets these requirements.

Proposal Recap

The City received funding requests from 21 agencies and City departments proposing 35 activities totaling \$6,257,744 for the 2009 program year (January 1 to December 31, 2009). The funding requests exceed the total amount available for CDBG, HOME, and ESG (\$4,385,500) by \$1,872,244. The attached table of 2009 HUD Consolidated Plan funding recommendations includes both the NRB and City Manager's funding recommendations. Additionally, the City Manager has also included on the attached table, 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 - \$712,814

City Manager Recommendation - \$762,500

The increase is necessary to cover salary and benefits for staff in the Neighborhood Inspection Division who are funded through the CDBG program.

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.

On October 27, 2008 the City Council approved a proposal with Technical Assistance Collaborative, Inc. and authorized the City Manager to negotiate and execute a contract. The Technical Assistance Collaborative, Inc will prepare an Action Plan that addresses homelessness in Des Moines and analyze the City's current approach to homeless service provision, recommending any changes that may be needed. In addition to this contract, the United Way of Central Iowa, the Polk County Housing Trust Fund, and the City are partnering to fund a coordinating position that will have the responsibility of implementing the Action Plan.

YWCA – Transitional Housing and Support Services

NRB Recommendation - \$0

City Manager Recommendation - \$17,500

The YWCA did not provide the City with their audit until October 3, 2008 and their contract was executed on October 9, 2008. City staff does have concerns over their ability to adhere to City requirements for federal funding due to staff turnover.

The \$117,186 increase (Neighborhood Based Service Delivery at \$49,686, Polk County Housing Continuum Technical Assistance at \$50,000, and YWCA at \$17,500) is funded by reducing the NCS Housing Opportunities CDBG allocation recommended by the NRB from \$1,162,600 to \$1,045,414.

Carryover, Contract Extensions and Program Income

The NRB will review requests for contract extensions, carryover funds and program income after March 31, 2009, 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, financial statements, or a letter of assurance from a CPA to the City if they receive CDBG/HOME/ESG funding. For the 2008 allocations, the City required all agencies that have annual expenditures in excess of \$150,000 to have a full independent audit completed prior to receiving funding. Creative Visions – Project Turnaround has not provided the City with their audit; accordingly, the City has not executed their contract for 2008 funding. Based on this requirement, the NRB did not recommend funding for this project. The City Manager's recommendation concurs with the NRB recommendation.

The City now finds that it is necessary to refine the aforementioned audit requirement to require all agencies receiving 2009 CDBG/HOME/ESG funding to complete and submit their audit for their agency's previous fiscal year by June 30, 2009. In addition, all agencies receiving 2009 CDBG/HOME/ESG funding must complete their 2009 work program and have entered into an approved/signed contract with the City by June 30, 2009. Agencies receiving 2009 CDBG/HOME/ESG funding will have 6 months to complete and submit their previous fiscal year's audit.

At a November City Council Workshop, staff will make a presentation on the 2010-2014 Consolidated Plan. This presentation will review spending patterns and accomplishments for the current consolidated plan, funding and community goals, census demographics and federal allocation trends. Additionally, staff will recommend to Council goals, objectives, and guiding principles for the 2010-2014 Consolidated Plan as part of the City's overall budgeting process.

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: November 10, 2008

Roll Call Number: 08-1990

Action: On Proposed Fifth (2009) Year Action Plan of 2005-2009 U.S. Department of Housing and Urban Development (HUD) Consolidated Plan. (Council Communication No. 08-684) Moved by Meyer to continue the public hearing until November 24, 2008 at 5:00 PM in the Council Chambers. Motion Carried 5-2.

Date: September 22, 2008

Roll Call Number: 08-1652

Action: On Proposed Fifth (2009) Year Action Plan of 2005-2009 U.S. Department of Housing and Urban Development (HUD) Consolidated Plan, (11-10-08). (Council Communication No. 08-558) Moved by Hensley to adopt. Motion Carried 7-0.

Date: September 22, 2008

Roll Call Number: 08-1653

Action: Communication from Neighborhood Revitalization Board. Moved by Hensley to receive and file and refer to City Manager. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Date: September 8, 2008

Roll Call Number: N/A

Action: The Neighborhood Revitalization Board (NRB) recommended City Council approval of the Fifth (2009) Year Action Plan of the 2005-2009 HUD Consolidated Plan allocations as amended.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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