

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b> November 22, 2010
	<b>Agenda Item No.</b> 39 <b>Roll Call No.</b> <u>10-1958</u> <b>Communication No.</b> <u>10-708</u> <b>Submitted by:</b> Richard A. Clark, City Manager

**AGENDA HEADING:**

Public Hearing and Approval of the Proposed Second (2011) Year Action Plan of the 2010-2014 U.S. Department of Housing and Urban Development (HUD) Consolidated Plan Strategy.

**SYNOPSIS:**

This action approves the Second (2011) Year Action Plan of the 2010-2014 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, 2011.

**FISCAL IMPACT:**

Amount: \$6,080,836 (includes \$166,616 in unspent CDBG funds from prior years)

The Program Year (PY) 2011 HUD block grant entitlement funds available in the three programs included in the Consolidated Plan are currently estimated to be:

CDBG, \$4,638,276 plus \$166,616

HOME Program, \$1,086,850

ESG, \$189,094

These funding levels are based on the estimates of several national community development and municipal associations and are the same as the 2010 entitlement awards. Funding levels are contingent on final Congressional and Executive Branch approval.

Funding Source:

HUD CDBG (CDBG2010099); 2010-2011 Operating Budget, Page 72, SP020 CDD049900

HOME (HOME2010000); 2010-2011 Operating Budget, Page 73, SP036 CDD049900

ESG (HESG2010099); 2010-2011 Operating Budget, Page 74, 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 June 22, 2009, by Roll Call 09-1084, 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 for the 2-year period from January 1, 2010 – December 31, 2011.

The City received proposals for 32 separate activities for the 2010/2011 program years. Staff in the Community Investment Administration Division of the Housing Services Department, together with representatives of public and private agencies reviewed and rated all the proposals that were submitted. 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 NRB, along with the ratings.

On October 6, 2010, the NRB finalized their recommendations for funding 2011 HUD Consolidated Plan programs for the 2011 Program Year (January 1, 2011 to December 31, 2011). The City Council received the NRB recommendations on October 11, 2010, by Roll Call 10-1647.

Also at their meeting on October 11, 2010, by Roll Call 10-1646, the City 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 22, 2010 to finalize the 2011 Action Plan of the 2010-2014 HUD Consolidated Plan. The 2011 Consolidated Plan must be submitted to HUD by November 24, 2010 in order to meet the extended review period that HUD has approved due to the timing of the public review period and the City Council meeting dates. The Plan will go into effect on January 1, 2011.

#### 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 (\$878,000) for administration is 19% of the estimated 2011 CDBG entitlement grant. However, capacity building and planning projects, including the Neighborhood Resource Office (\$27,500), are also charged against the administrative cap. When program income is added to the total CDBG funds available at the end of the 2011 program year, administrative costs should be at or below the administration 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 City manager is recommending that \$550,500 (11.9%) be allocated for public services in 2011. When projected program income is added to the estimated 2011 allocation the City will be below 10%.

A minimum of 15% (\$163,028) of HOME funds has to be allocated, by regulation, to Community Housing Development Organizations (CHDOs). Another 5% (\$54,343) can be allocated for CHDO operating expenses, if appropriate. There is a 10% cap on HOME administrative costs and the City

Manager's recommendations meet these requirements.

The 2011 CDBG recommendations include a 50% reduction for nonprofit agencies as approved by the City Council during their December 21, 2009 Council meeting. Additionally, nonprofit agencies will receive 25% of their funding for 2012 in the fourth quarter of 2011. This funding will be made available from any reprogramming dollars.

The 2011 CDBG/HOME/ESG recommendations will leverage over \$32 million in other funding for these programs, from Federal, State, County, City, and private donations. This equates to a ratio of 5:1.

The 2011 allocation for NID – Neighborhood Based Service Delivery is an increase in funding from 2010. Code Enforcement in low-moderate income areas is an eligible expense under CDBG guidelines. This program has been reviewed by HUD during their monitoring visits in the past.

For the most part the City Manager is in agreement with the NRB recommendations for 2011 funding. The differences are in regards to the following project funding, or the City Manager is recommending additional programs to meet emerging needs.

#### Criminal Justice – Hansen House

NRB Recommendation - \$-0- This agency received \$15,000 in 2010 reprogramming funds and has not requested any reimbursement for operating costs as of October 31, 2010.

City Manager recommendation - \$7,500 for 2011 contingent on demonstrated improvement in administrative capacity.

#### Residential Energy Efficiency Improvements

City Manager recommendation - \$100,000. This is a new program to address the emphasis HUD is placing on “Green” construction. Council members have also suggested funding for energy efficiency programs and the City Manager will consult with the Community Development Department and the Neighborhood Finance Corporation to determine the most likely operator for this program.

#### NCS Housing Opportunities

NRB recommendation - \$1,146,562 in CDBG funds.

City Manager recommendation - \$1,150,000 in CDBG funds. This is a slight increase and additional funding may be available from reprogramming to add to the capacity of the program to meet affordable housing needs.

#### Engineering – Demolition

NRB recommendation - \$196,000.

City Manager recommendation - \$109,169. The department currently has over \$88,000 available, which will exceed the NRB's recommendation when added to the 2011 allocation, and also has over \$11,000 in CDBG-R stimulus funding available.

#### CS – Site Office Service Delivery System

NRB recommendation - \$325,000.

City Manager recommendation - \$250,000. This is \$25,000 more than the program received in 2010 and the agency also received approximately \$900,000 in stimulus funds in 2010.

#### Parks – Cleanup of City Property

The City Manager is recommending that \$50,000 in CDBG funds be made available for cleanup of

homeless camp sites on a spot basis. Public and private efforts are currently underway to make housing and support services available to homeless individuals and families and eliminate the need for homeless camps. If successful, the City will most likely have to absorb the often significant costs of cleaning up the sites.

#### 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 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 11, 2010

Roll Call Number: [10-1646](#)

Action: On Proposed Second (2011) Year Action Plan of the 2010—2014 US Department of Housing and Urban Development (HUD) Consolidated Plan, (11-22-10). ([Council Communication No. 10-616](#)) **Moved by Hensley to adopt; refer to the City Manager to schedule a workshop on October 25th, to discuss the recommendations. Motion Carried 7-0.**

Date: October 11, 2010

Roll Call Number: [10-1647](#)

Action: [Communication](#) from the Neighborhood Revitalization Board. **Moved by Hensley to receive and file. Motion Carried 7-0.**

#### **BOARD/COMMISSION ACTION(S):** Choose an item.

Date: October 6, 2010

Roll Call Number: N/A

Action: The Neighborhood Revitalization Board finalized their recommendations for allocation of the Second (2011) Action Year of the 2010-2014 HUD Consolidated Plan.

#### **ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

Receiving and approving the 2011 Consolidated Plan Grant Agreement with HUD and implementing the Plan through City departments and sub-recipients.

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