


COUNCIL COMMUNICATION

	Number:	22-237	Meeting:	May 23, 2022
	Agenda Item:	20	Roll Call:	22-0785
	Submitted by:	Chris Johansen, Neighborhood Services Department Director		

AGENDA HEADING:

Reprogramming of prior years’ unspent Community Development Block Grant (CDBG) funding, including Covid-19 response funds (CDBG-CV), to the 2022 Consolidated Plan Program Year and approval of related Grant Agreements with the US Department of Housing and Urban Development (HUD) for funding the City’s 2022 Annual Action Plan, or third year of the 2020-2024 Consolidated Plan.

SYNOPSIS:

Every year, the City reprograms unspent funds from the prior program year (i.e., calendar year 2021) to the current program year (calendar year 2022). More than \$1 million of annual entitlement funds are being reprogrammed into affordable housing development. Unused Covid-19 response funds under the CDBG-CV program will be reallocated to address food insecurity, mental health, or childcare.

This action is also being combined with approval of the annual grant agreements the City anticipates receiving from HUD. Staff are combining the actions to streamline administrative processes and prevent delays in receiving grant funds. Grant Agreements will be for program year 2022 CDBG, HOME Investment Partnerships (HOME) Program, and Emergency Solutions Grant (ESG).

FISCAL IMPACT:

Amount:

- Reallocation from 2021 to 2022: \$1,054,977.73 in CDBG; \$398,500 in CDBG-CV.
- New Grant Agreements for 2022: \$3,825,560 in CDBG; \$1,106,791 in HOME; and \$326,842 in ESG.

Funding Source: HUD

ADDITIONAL INFORMATION:

- Annual entitlement funds, or CDBG, to be reprogrammed are coming from homeowner rehabilitation, IMPACT Community Action Agency (IMPACT), administration, Polk County Continuum of Care (now known as Homeward), and internet infrastructure. The reason for unspent funds in each activity is below. There are no HOME or ESG funds being reprogrammed.

- Covid-19 response funds, referred to as CDBG-CV, to be reprogrammed are coming from the small business relief program and personal protective equipment. The reason for unspent funds in each activity is below.
- Homeowner Rehabilitation - The homeowner rehabilitation program, also known as the Emergency Repair Loan (ERL) program, had been paused initially due to the Covid-19 pandemic. However, staff also recognized a need to revamp the program to streamline processes and reduce administrative burden for both homeowners and staff.
 - Community partners also voiced concern that the federal grant funding was not a suitable funding source for an emergency program. As a response, CDBG housing repair funds will now be funneled through the Improving Our Neighborhood (ION) program for large-scale, external rehabs, or those exceeding \$20,000 per project, which are not necessarily considered emergencies. This way, homeowners receive additional support from ION staff while repairs are made, and federal funds staff administrative time and duties will more accurately match the project scale. For more urgent repair scenarios, ION staff can choose a more appropriate funding source, such as a community partner or the safety net under the general fund dollars, which are not subject to longer timelines and administrative processes that the federal funds are subject to.
- IMPACT - Each year, the City provides anywhere between \$150,000 and \$300,000 to IMPACT for operations to administer various public services and programs. IMPACT did not spend all the CDBG operational funds allocated in 2021.
- Administration - Program year 2021 was the height for expending many of the funds authorized under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The City received approximately \$5.5 million in CDBG-CV and \$3.1 million in ESG-CV funding to prepare, prevent, and respond to coronavirus. This is approximately a 42% increase from the City's annual CDBG allocation and 10 times its annual ESG allocation.
 - In addition, the Federal Funds Division staff had five (5) vacancies out of 10 total positions, or half its workforce, from January 2021 through June 2021. With such an influx of funding, which included additional administration funds, and with half of the federal funds staffing positions vacant from January through June, there was a large amount of unused administration funds from program year 2021. No new Covid-19 response funding is expected, and staff positions have been mostly filled, so it is expected that most administration dollars will be used in 2022.
- Polk County Homeless - In 2017, the City allocated funding to Homeward, for capacity building. One (1) requirement of the capacity building funds is to show new housing units created for homeless persons. This was continually a difficult relationship to show or prove, and as a result, the City is looking into other funding sources with more relevant reporting requirements to support Homeward.
- Internet Service - Funding was set aside during the Covid-19 pandemic to help with internet infrastructure in low- or moderate-income neighborhoods. The City ended up funding internet service through wireless hot spots for Des Moines Public School students under the Covid-19 response funding, and as a result, this activity will be reprogrammed.

- Small Business Relief - In 2020, one (1) of the City’s first programs to launch was the Small Business Relief program funded jointly with general funds and CDBG as well as some community partners. The program tapered down in early 2021, and the unused funds will be reallocated into programs to address food insecurity.
- Personal Protective Equipment (PPE) - Fortunately, the City also received funds from FEMA for PPE. As a result, CDBG-CV funds will be reprogrammed into one (1) of the existing contracts under CDBG-CV 2, which includes mental health and childcare programs.
- Please see below for the summary of funds to be reprogrammed.

2021 Federal Grant Funds to be Reprogrammed into 2022 Activities			
Source	Org Code	Reprogramming (Annual Entitlement)	
CDBG	CDB01420	NCS - Homeowner Rehab	\$ 433,765.05
CDBG	CDB02520	IMPACT Community Action Partnership	\$ 20,018.88
CDBG	CDB00121	Administration	\$ 402,677.23
CDBG	CDB06221	Polk County Homeless	\$ 87,500.00
CDBG	CDB06921	Internet Service	\$ 111,016.57
		Total	\$ 1,054,977.73

Reprogramming (Covid-19 Funds)			
CDBG-CV 1	CDB05220	Small Business Relief	\$ 373,500.00
CDBG-CV 2		Personal Protective Equipment	\$ 25,000.00
		Total	\$ 398,500.00

- As mentioned in the roll call and below in Previous Council Actions section, City Council approved the 2022 Annual Action Plan projects and activities on November 1, 2021. The plan was based on estimated funding.
- On May 13, 2022, HUD announced the actual 2022 funding for entitlement cities. See below for a comparison of estimated funding and actual funding. Overall, the City received an increase in entitlement funds. The funding increase was mostly within the HOME Program.

2022 Federal Grant Allocations to City of Des Moines			
	Estimated	Actual	% Difference
CDBG	\$ 3,888,182	\$ 3,825,560	-1.6%
HOME	\$ 981,236	\$ 1,106,791	12.8%
ESG	\$ 323,465	\$ 326,842	1.0%
	\$ 5,192,883	\$ 5,259,193	12.2%

- Also as mentioned above, the City will reprogram more than \$1 million of annual entitlement funds into affordable housing development. Unused Covid-19 response funds under the CDBG-CV program will be reallocated to address food insecurity, mental health, or childcare. In addition, the City estimates that there will be \$62,622 in “program income”, which will come from and be recycled back into the Neighborhood-based Service Delivery (NBSD) program.
- Please see below for the updates to the 2022 Annual Action Plan projects and activities now that both the reprogramming amounts and actual 2022 entitlement grant amounts are known.

<u>2022 Activities</u>	<u>2022 Amount</u>	<u>Reprogrammed from 2021 or PI</u>	<u>Total Available</u>
2022 CDBG Administration (20%)	\$ 765,112.00		\$ 765,112.00
2022 HOME Administration (10%)	\$ 110,679.00		\$ 110,679.00
2022 Code Enforcement/NBSD	\$ 1,553,567.00	\$ 62,622.00	\$ 1,616,189.00
2022 IMPACT Operations	\$ 150,000.00		\$ 150,000.00
Central Iowa Shelter & Services (CISS) Operations	\$ 345,000.00		\$ 345,000.00
Housing Counseling – Des Moines Municipal Housing Agency (DMMHA)	\$ 75,000.00		\$ 75,000.00
2022 Park Improvements - Evergreen	\$ 500,000.00		\$ 500,000.00
2022 Owner-occupied Housing Rehabilitation/ION	\$ 250,000.00		\$ 250,000.00
Housing Development Site Preparation	\$ 186,881.00	\$ 30,000.00	\$ 186,881.00
Missing Middle Rental Development Project (with CDBG site prep)	\$ 197,112.00	\$ 1,054,977.73 \$ 30,000.00	\$ 227,112.00
2022 Habitat for Humanity - 10 units	\$ 315,000.00	\$ 1,054,977.73	\$ 1,369,977.73
2022 Habitat for Humanity Homebuyer Assist. - 10 Homebuyers	\$ 35,000.00		\$ 35,000.00
2022 HOME, Inc. - 2 units	\$ 360,000.00		\$ 360,000.00
2022 HOME, Inc. Homebuyer Assist. - 2 Homebuyers	\$ 40,000.00		\$ 40,000.00
2022 Community Housing Development Org. Operating Funds	\$ 49,000.00		\$ 49,000.00
2022 ESG Administration (7.5%)	\$ 24,513.00		\$ 24,513.00
Homeless Information Management System (HMIS) (3%)	\$ 9,805.00		\$ 9,805.00
ESG Programs	\$ 292,524.00		\$ 292,524.00
	\$ 5,259,193.00	\$ 1,147,599.73	\$ 6,406,792.73

PREVIOUS COUNCIL ACTION(S):

Date: November 1, 2021

Roll Call Number: [21-1675](#)

Action: [On](#) the proposed 2022 Action Plan as part of the 2020-2024 Consolidated Plan for submission to the U.S. Department of Housing and Urban Development (HUD). ([Council Communication No. 21-484](#)) Moved by Boesen to adopt. Motion Carried 6-1. Absent: Cownie.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Reprogrammed amounts for Covid-19 response under the ESG-CV funds will be updated in another roll call once subrecipients have been selected. There will be \$12,206.09 in ESG-CV funds from homelessness prevention to reprogram.
- In March 2023, Council will be asked to approve the 2022 Consolidated Annual Performance Evaluation Report (CAPER), which will be the report to HUD on how the proposed use of funds from the 2022 Annual Action Plan were used during the program year.

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