

Staff Report

CDBG Disaster Relief Grant Application

August 26, 2014

BACKGROUND

On August 19th, City Council directed staff to pursue completing a Community Development Block Grant Disaster Relief (CDBG-DR) program grant application with assistance from Hatch Development Group (HDG). The intent was to pursue a grant for construction of a total of six units on three properties owned by the City along 6th Street that were recently acquired by the City. This action was taken on short notice, since the deadline for submitting a complete grant application is September 2, 2014.

City staff was able to meet with HDG and discuss the specifics of the site, the zoning of the site, and HDG's experience with the CDBG-DR program application requirements. HDG emphasized this site offers a great opportunity due to its proximity to downtown. They further believe the site is appropriate for a variety of housing types and density levels. **However, HDG informed the City on August 21st that after creating a pro forma for construction and operation of six affordable housing units, they were not able to demonstrate that it was viable project with positive cash flow in the first 10 years of the project.** With this information, City staff and HDG concurred that it was not appropriate to proceed with submitting a grant application for the CDBG-DR funding with HDG as a partner.

Upon learning that HDG was unable to assist in preparing the grant application, staff reached out to an alternative group of Benjamin Design Collaborative/Story County Community Housing Corporation (BDC+SCCHC), which had also previously indicated interest in the project. After considering the tight time limits of the process and their priorities as an organization, they too declined to assist in preparation of a grant application for the site.

Staff initiated this process knowing that the timelines were very tight to put together an appropriate application for the grant and that it may not be possible to complete. After further investigation, it was proven that the grant program was not suitable for the site at this time due to time constraints and requirements of the program.

Since the sites were acquired with our CDBG entitlement funds and they ultimately will be used in support of the community's affordable housing needs. Staff will begin a process later this fall to solicit requests for proposals to consider what affordable housing development options are available for the site and to have Council select a development partner for the three sites.