

STAFF REPORT**UPDATE ON
2008-09 COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM &
COMMUNITY DEVELOPMENT BLOCK GRANT RECOVERY PROGRAM**

May 12, 2009

At the January 13 City Council meeting, Council approved a request for a time extension to submit the City's 2009-2014 Community Development Block Grant (CDBG) Consolidated and Annual Action Plans to the Department of Housing and Urban Development (HUD). This action was requested due to a delay by the United Way of Story County in completing the acquisition of the Human Service Campus.

The 2008-2009 CDBG budget contains \$600,000 for the acquisition of a facility for this Campus. The delay created a need for staff to shift priorities and activities for the 2008-2009 program year to insure that the City would meet the timely expenditure requirement in our grant agreement with HUD by May 2. Meeting the timely expenditure requirement is not only crucial to the City being able to receive future CDBG Funds, but is also important so as not to jeopardize the City's excellent performance standing with HUD by now being considered a "troubled" entitlement city. A "troubled" status would put the City on probation and would require the Omaha HUD field office to closely monitor our program administration.

In order to meet the timely expenditure requirement for this year, up to \$300,000 or more of the 2008-2009 Human Service Campus budgeted line item was shifted and reinvested in other projects as follows:

- Approximately \$324,000 went to the Acquisition/Reuse Program, to purchase additional houses that can be rehabilitated and sold to first-time homebuyers and/or a qualified non-profit organization.
- Approximately \$176,000 is designated to the upcoming Home Improvement Program, to provide grants up to \$20,000 for low and moderate income households to make much needed repairs to their single-family homes.

This would have left approximately \$100,000 for the Human Service Campus that would have rolled into the new program year. Adjustments in program projects, and selling of properties and portions of the yet-to-be-determined 2009 allocation would have been made in the budget to restore that funding back into the Human Service Campus project. Since the Human Service Campus is not now an active project, however, this \$100,000 amount can easily be shifted into either of the above program activities. Staff recommends that it go into the Home Improvement Program.

On April 21, 2009 staff received notification from the Omaha HUD office that the national timeliness report shows that the City of Ames is in compliance at a 1.48 expenditure ratio for 2008-09, which is 2 points better than the requirement of 1.50.

On May 1, 2009 the City was notified that it will be receiving \$491,399 in CDBG funds for the fiscal year beginning July 1, 2009. Of the \$491,399, \$98,279 is available for program administration and the remaining \$393,120 is available for programming. Back in January 2009 City Council approved staff's request for an extension to submit its 2009-2014 Consolidated Plan and 2009-10 Annual Action Plan until on or before July 31, 2009. Now that we have been notified of the amounts, staff can now recommend budget amount for the projects that we approved for the coming year.

On May 5, 2009 the City was officially notified that it will be receiving \$130,258 of **Community Development Block Grant Recovery (CDBG-R) funding** as part of the American Recovery and Reinvestment Act of 2009 (Recovery Act) that was signed into law by President Obama on February 17th, 2009.

Staff received a forty-two page notice of program requirements under the CDBG-R Program. The goals of this program are focused on stimulating job creation and long-term economic benefit. A large number of the mandatory regulations required under the regular CDBG program have been waived in the CDBG-R Program. This are directives allowing cities to expedite the expenditure of the dollars as quickly as possible. Highlight summaries of some of the requirements are as follows:

1. Entitlement cities must submit a substantial amendment to their 2008 CDBG Action Plan (along with other certifications and documents) to HUD no later than June 5, 2009.
2. The public notice comment period has been shortened to seven days (rather than the 15 or 30 comment period). According to HUD, a public hearing is not required (unless local jurisdictional rules require one) and grantees have a shortened time period of seven days to receive public comments. We have been advised to make the process as simple as possible, such as advertising the public comment period on our city web page in lieu of an actual meeting to receive citizen input.
3. Ten percent of the allocation (\$13,025.80) can be used for administrative expenses.
4. The notice emphasizes prudent use of the funds; however, all regular CDBG program activities are eligible, except for those prohibited in the Recovery Act (e.g., zoos, gambling casinos, swimming pools, etc.). Due to the accountability and transparency requirements of the Recovery Act, there appear to be greater reporting requirements with the CDBG-R funds. We have been advised to make

the process as simple as possible, such as advertising the public comment period on the City's web page in lieu of an actual meeting to receive citizen input.

5. A budget spreadsheet and certifications are required with the submission of the substantial amendment. HUD plans to post these forms this week.

6. Since the CDBG-R funds must be spent relatively quickly, we are encouraged to think about funding one or two projects and not a plethora of varied projects. HUD staff has said, "The simpler the better." We are being encouraged to provide funding to projects that are ready to go and can be completed quickly.

7. Infrastructure projects are eligible, but currently 50% of the funds must be obligated by June 17, 2009 (which is within 120 days after the Act was signed into law on Feb. 17th). This requirement may be subject to change.

Staff will be participating in a training session next week that will explain in more detail the program requirements and provide other clarifications. In the interim, staff wanted to give the City Council as much advance notice as possible given the tight turn around requirements, which may require a special meeting of the City Council to approve the submittal of the update action plan and other documents. We have been advised not to risk the possibility of losing funding under this program due to a delay in the substantial amendment and have been advised to start organizing this process immediately.