

COUNCIL ACTION FORM

**SUBJECT: COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM –
AMENDMENT TO 2011-12 ANNUAL ACTION PLAN PROJECTS**

BACKGROUND:

For the 2011/12 CDBG program year, the projects listed in *Attachment 1* were originally submitted and approved by the Department of Housing and Urban Development (HUD) and are approved for implementation. Due to the August 2010 flood event, the City subsequently became eligible to apply for grant money under the federal Hazard Mitigation Grant Program (HMGP).

Under HMGP, the City sought to apply for grant funds to support a property acquisition or “Flood Buy-out” project. The HMGP program requires a 15% local match, and the City was notified that CDBG funds would qualify for this match. Therefore, the Council set aside approximately \$500,000 of the 2010/11 CDBG allocation to be used as possible matching dollars for implementation of the flood buy-out program.

Unfortunately, the designated properties did not meet FEMA’s funding threshold for HMGP funding. Therefore, the City withdrew its application, which means that the \$500,000 in CDBG funding that was set aside needs to be reallocated to other programs/projects in 2011/12.

***Attachment 2* shows the original program budget for 2011/12, as well as the *proposed amended budget* for the 2011/12 Annual Action Plan program activities. The activities being recommended are the same as in the original action plan, but have revised funding amounts.**

These activities continue to focus directly on the City Council’s goal of *strengthening our neighborhoods*. All of the proposed activities would be of 100% benefit to low- and moderate-income persons and/or neighborhoods *except* for the Slum and Blight Activity (Dangerous Building Removal Program).

At its August 23, 2011, meeting, the City Council was supportive of the proposed amended 2011/12 Action Plan Projects. Council directed staff to solicit public input on these projects, and to bring any public comments back to Council on September 13. These projects now need to be finalized and included in the amended 2011/12 Action Plan.

Staff hosted two public forum meetings on September 7. A total of five persons attended, representing three non-profit organizations, one business organization, and one citizen. One e-mail was also received from a Neighborhood Association representative. *Attachment 3* lists all of the feedback responses received.

In summary, public interest was expressed in expanding the Neighborhood Home Improvement Program to include the following programs:

- (1) Making rehabilitation funds available to non-profit organizations to repair their facilities.
- (2) Making rehabilitation funding available to rental property owners to rehab their properties for low-income renters.
- (3) Making rehabilitation funding available to property owners to rehab single-family rental units and convert them back into single family ownership.

Each of these proposals would be a worthy expansion of the City's CDBG programming and could be carried out using CDBG funding. However, each would also entail creating and administering a new subcomponent program activity. Staff's rationale for not proposing additional program projects to replace the Flood Buy-out Program *during this current year* was as follows:

- The original projects for 2011/12 are consistent with the City's goals and priorities to focus on neighborhood sustainability by improving both the housing stock and the infrastructure in low- and moderate-income vital core neighborhoods.
- The original projects for 2011/12 reduce the downtime that would result from starting new programs that could affect the City's ability to meet HUD's timely expenditure requirements by May 1, 2012.
- The modest number of projects recommended for 2011/12 reflects the workload capacity of the current full-time staff.
- During their monitoring of the City's CDBG program last month, HUD firmly emphasized that the City's meeting the timely expenditure requirements is of high priority in order to not jeopardize future funding, be subject to a workout plan, and/or be required to forfeit CDBG funding. They also reminded staff about potential timeliness issues when a significant amount of funds are allocated to a project that does not get implemented.

Regarding the proposed Neighborhood Housing Improvement Program and Homebuyer Assistance Program shown on *Attachment 2*, it is important for Council to note that those programs focus on *owner-occupied* affordable housing improvement. That priority has been included in the Council's adopted CDBG Action Plans for several years, but has seen only limited success due to our focus on large, one-time programs that ultimately did not come to fruition.

The following comments are offered in relation to the three programs requested by the public:

Non-Profit Facilities

With regard to the interest for funds to be included to implement a non-profit facility repair program, where those facilities are located in neighborhoods, this program could address the Council's goal to strengthen neighborhoods. There are currently six agencies that could possibly qualify for assistance. This same program has been implemented in previous years and has benefited all six agencies. However, this program would not address the Council's priority of improving the supply of affordable, owner-occupied housing.

Rental Units

With regard to the request for a program to “rehabilitate rental housing units,” this activity could address the Council’s goal to strengthen neighborhoods. However, it would require staff time to create program eligibility guidelines. In addition, there is already a local program to support low-income rental housing needs in the Section 8 Housing Choice Voucher Program.

Conversion of Rental Units to Owner-Occupied Homes

With regard to the request for funds to be included to implement a program to “rehabilitate single-family rental units” for conversion into owner occupied housing, that activity would also address the Council’s goal. This will also require staff time to create program eligibility guidelines, but is compatible with the Council’s long-time interest in facilitating owner-occupied affordable housing. A pilot program to judge the success of this approach is justifiable under Council’s current priorities.

ALTERNATIVES:

1. The City Council can amend the 2011/12 CDBG Annual Action Plan with the proposed projects as outlined in *Attachment 2*, but redirect \$25,000 of the funding from the Neighborhood Housing Improvement Program into creating a pilot program to assist property owners with funds to rehabilitate single-family rental property for conversion back into an owner-occupied unit.
2. The City Council can amend the 2011/12 CDBG Annual Action Plan with the proposed projects as outlined in *Attachment 2*.
3. The City Council can amend the 2011/12 CDBG Annual Action Plan with some other combination of projects.
4. The City Council can choose not to amend the 2011/12 CDBG Annual Action Plan at this time, and refer this item back to staff with further direction.

MANAGER'S RECOMMENDED ACTION:

The programs recommended on *Attachment 2* (Neighborhood Housing Improvement Program, Homebuyer Assistance, Neighborhood Infrastructure Improvements, and Slum and Blight) focus on the City Council’s goal of strengthening our neighborhoods and are consistent with the priorities of the City’s 2009/14 Consolidated Plan. In addition, since the conversion of rental housing units into owner-occupied homes is also consistent with the Council’s long-standing priority, a case can be made to initiate a pilot for this new program.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1, thereby amending the 2011/12 CDBG Annual Action Plan with the proposed projects outlined in *Attachment 2*, but redirecting \$25,000 of funding from the Neighborhood Housing Improvement Program to create a pilot program to assist property owners with funds to rehabilitate single-family rental property for conversion back into an owner-occupied unit.

ATTACHMENT 1

APPROVED 2011-12 ANNUAL ACTION PLAN PROGRAM ACTIVITIES

Project Activities	Program Description	Priority Goal	CDBG National Objective
<p>The Neighborhood Sustainability Program is comprised of the following subcomponent programs:</p> <ol style="list-style-type: none"> 1. Neighborhood Housing Improvement Program 2. Homebuyer Assistance 3. Dangerous Building Program (Slum and Blight Program) 	<p>The overall goal of the Neighborhood Sustainability program is to increase the availability of housing to low and moderate-income families and to maintain and sustain decent, safe, and sanitary housing stock in existing neighborhoods by providing <u>home repair grants</u> for owner-occupied housing units, and <u>down payment and closing cost assistance</u> to first-time homebuyers, and demolish deteriorated properties.</p>	1,2	Low- & Moderate-Income Benefit
<p>The Public Improvement Program is comprised of the following subcomponent programs:</p> <ul style="list-style-type: none"> • Neighborhood Infrastructure Improvements (curb, street resurfacing, sidewalks, etc.) in targeted low- and moderate-income census tracts 	<p>The overall goal of the Public Improvement Program is to preserve and enhance the viability and aesthetics of our core existing neighborhoods by maintaining the public infrastructure.</p>	3	Low- & Moderate-Income Benefit
Flood Buy-Out Program	<p>The goal under this program is to acquire and demolish both residential and commercial properties that were damaged or destroyed as part of the August 2010 flooding event.</p>	--	Urgent Need

ATTACHMENT 2

Submitted 2011-12 Action Plan Expenditure Budget:	
<u>Programs</u>	<u>Budget</u>
Neighborhood Sustainability Program (Slum and Blight-Dangerous Building)	100,000
Neighborhood Housing Improvement Program (including City-owned properties)	132,870
Homebuyer Assistance Program	100,000
Neighborhood Infrastructure Improvements Program	309,214
Flood Buy-Out Program	500,000
2011-12 Program Administration	<u>89,804</u>
Total	\$1,231,888
Current 2011-12 Action Plan Revenue Budget:	
2011-12 CDBG Allocation	449,018
2010-11 Anticipated Program Rollover	675,000
2011-12 Anticipated Program Income	<u>107,870</u>
Total 2011-12	\$1,231,888

PROPOSED AMENDED 2011-12 Action Plan Expenditure Budget:	
<u>Programs</u>	<u>Budget</u>
Neighborhood Sustainability Program (Slum and Blight) Dangerous Buildings Program	135,000*
Neighborhood Housing Improvement Program (including City-owned properties)	451,762*
Homebuyer Assistance Program	100,000
Neighborhood Infrastructure Improvements Program	406,297
Flood Buy-Out Program	0.00
2011-12 Program Administration (20% of 11-12 Allocation + 20% Anticipated Program Income)	<u>110,648</u>
Total	\$1,203,707
AMENDED 2011-12 Action Plan Revenue Budget:	
2011-12 CDBG Allocation	449,018
2010-11 Anticipated Program Rollover	650,466
2011-12 Anticipated Program Income	<u>107,870</u>
Total 2011-12	\$1,203,707

*Includes \$100,466 of Service Delivery expenses for Program Administration (inspectors, legal fees and documents, contracted staff assistance)

ATTACHMENT 3

**CDBG 2011-2012 Action Plan Amendment Overview
Public Forum Input Sessions
Wednesday, September 7, 2011
9:00 a.m. – 10:30 a.m. City Hall Council Chambers
6:00 p.m. – 7:30 p.m. Room 235**

Representatives from Mainstream Living, Youth & Shelter Services, Ames Chamber of Commerce, Emergency Residence Project, a citizen, and a local business person participated in a discussion or submitted input.

Interest was expressed about using CDBG funds under the Neighborhood Housing Improvements Program to be expanded to include:

- A program to provide funds to assist rental property owners in making repairs to their properties to make them available to low-income households and families.**
- A program to provide funds to assist non-profit organizations with funds to make repairs to their facilities that assist low-income households and families.**
- There was also a suggestion to do a couple houses as conversions from rental to owner-occupied, doing it as a loan program to the landlord who must sell to a qualified low-income family that can secure a loan and pay back the loan.**