

**COUNCIL ACTION FORM**

**SUBJECT: AMENDMENT TO 2014-18 FIVE-YEAR C.D.B.G. CONSOLIDATED PLAN TO CREATE A NEIGHBORHOOD REVITALIZATION STRATEGY AREA (NRSA)**

**BACKGROUND:**

As part of the public forum process required for the preparation of the FY 2016/17 CDBG Annual Action Plan, staff met separately with the College Creek/Old Ames Middle School Neighborhood Association on February 18<sup>th</sup> to specifically discuss the re-development options for the 321 State Avenue (Old Ames Middle School) site. Staff also discussed this topic during the public forums held on February 22 and 23.

At the three meetings, staff first provided an overview of the Community Development Block Grant (CDBG) program and how program dollars have been utilized in the City of Ames. The discussions at the meetings then centered on gaining feedback and input regarding re-development of the recently purchased site at 321 State Avenue (Old Ames Middle School) using the City's CDBG funds.

Staff explained that, in accordance with CDBG regulations, since the site is located in census tract 13.01, which is **not** a HUD designated Low and Moderate Impact (LMI) census tract (meaning less than 51% of the households living in this tract are not LMI persons), 100% of the housing units constructed must benefit LMI persons in order to redevelop the site.

The question staff posed at each meeting was whether the City should pursue re-developing the site as a 100% LMI housing development or as a 51% LMI housing development. A majority at each meeting felt that, in the best interests of the neighborhood and the City, the site should be developed as a **51% LMI housing development**.

Staff then explained that, in order to develop the site as a 51% LMI level, the City must seek a Neighborhood Revitalization Strategy Area (NRSA) designation for the site from HUD. Under NRSA regulations, entitlement cities are given greater flexibility to develop comprehensive approaches to address economic development and housing needs in a designated neighborhood within their community. Attachment A explains the benefits of a NRSA designation in more detail.

In order for an area to meet a NRSA designation, the following Neighborhood and Demographic Criteria must be met:

1. The areas covered must be **contiguous**; with no checkerboard areas across the community.
2. The selected area **must be primarily residential**.
3. The area must **contain a high percentage of LMI households**.

4. The percentage of LMI residents within the neighborhood must satisfy **one** of the **three** following criteria:
  - a. 70 percent of the total population in the selected area (if the grantee's upper quartile\* is greater than 70 percent LMI);
  - b. The upper quartile\* percentage (if the grantee's upper quartile is greater than 51 percent, but less than 70 percent LMI in the total population); or
  - c. 51 percent of the total population (if the grantee's upper quartile\* percentage is less than percent).

\*Upper quartile determinations are based on census block groups with the census tract and not just the census track itself.

The site of the old Ames Middle School falls within Block Group 2 in 13.01 Census Tract. With assistance from HUD staff, it has been determined that this area meets criteria 4b above. The actual LMI percentage and the quartile percent happened to both be **69.25 percent** (see attached map). Therefore, no other census tracts or block groups would need to be added for the area qualify under the NRSA guidelines.

The NRSA designation also requires a "Community Consultation" component with the following members of the community:

- Residents of the area
- Owners/operators of businesses in the area
- Local financial institutions
- Non-profit organizations
- Community groups

Additionally, the NRSA designation requirement must include the following information: An assessment of the area, Economic Empowerment, Performance Measures, Funding the NRSA and HUD Review, Approval and Monitoring.

The **funding component** requirement of a NRSA is as follows:

- The City of Ames will **not** need to commit specific future funds for use in the NRSA at the time that the NRSA is submitted.
- After approval of the NRSA, the City's subsequent Annual Action Plans must describe how the City's CDBG and other resources will be used to achieve the NRSA goals.
- Each year after the initial NRSA submission, the City must identify in its Annual Action Plan measurable outcomes it expects to achieve during the year for the NRSA.

**In order to request a NRSA designation from HUD, the City would need to submit an amendment to its 2014/18 Five-Year Consolidated Plan.**

**ALTERNATIVES:**

1. The City Council can amend the 2014/18 Five-Year Consolidated Plan to create a Neighborhood Revitalization Strategy Area (NRSA) for redevelopment of the 321 State Avenue (Old Ames Middle School) site as a 51% LMI housing development.
2. The City Council can decide to redevelop the 321 State Avenue (Old Ames Middle School) site as a 100% LMI housing development. This alternative will not require an amendment to the 2014/18 Consolidated Plan.
3. The City Council can refer this item back to staff for more information.

**MANAGER'S RECOMMENDED ACTION:**

Amending the City's Consolidated Plan to facilitate 321 State Avenue becoming a designated NRSA will meet both objectives to serve low and moderate income and non-low and moderate income households in a mixed use residential subdivision as outlined in the current 2014/2018 Five-Year Consolidated Plan.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1. This alternative will approve a resolution to amend the 2014-2018 Five-Year Consolidated Plan to create a Neighborhood Revitalization Strategy Area (NRSA) for redevelopment of the 321 State Avenue (Old Ames Middle School) site as a 51% LMI housing development, and will set May 10, 2016 as the date of public hearing for submittal of the amended Consolidated Plan to HUD, which must occur by May 17, 2016.

## Attachment A

### Benefits of a NRSA:

- ✓ Communities with approved NRSAs are offered enhanced flexibility in undertaking economic development, housing, and public service activities with their CDBG funds.
- ✓ This flexibility is designed to promote innovative programs in economically disadvantaged areas of the community.
- ✓ Areas of enhanced regulatory flexibility include:
  - **Job creation or retention** effort focused on the selected neighborhood may be classified as meeting the LMI area benefit national objective requirements.
    - Businesses that receive such assistance need not track the specific income of newly hired employees to demonstrate LMI benefit.
    - This provision reduces the administrative burden to the business and is intended to provide an incentive to businesses to participate in the community's job creation/retention programs.
  - **Aggregation of housing units** for which CDBG funds are obligated during each program year and treat them as a single structure.
    - 51 percent of total number of units must be occupied by LMI households.
    - This permits grantees greater flexibility in applying the LMI housing national objective criteria for the housing category.
    - In turn, grantees have flexibility in providing housing to residents of the NRSA neighborhood.
    - NOTE: The flexibility to aggregate housing units assisted does not change the requirement that homeownership assistance provided under 570.201(n) must be provided only to LMI households.
  - **Economic development activities carried out in the NRSA may be excluded from the aggregate public benefit standards.**
    - This reduces recordkeeping requirements.
    - This affords greater flexibility in selecting and implementing economic development activities, and reduces the amount and scope of information that grantees must collect and document regarding its programs.
- ✓ Note, however, that projects are still subject to the individual/project public benefit standards.
- **All public services offered within the NRSA *and* carried out as part of qualified projects under the NRSA are exempt from the public services cap.**
  - This permits grantees to offer a more intensive level of services within the approved community, as needed to stimulate revitalization.
  - This flexibility includes job training and other employment related services and as such, it can provide an important foundation for economic opportunity for neighborhood residents.

