

COUNCIL ACTION FORM

SUBJECT: 2022-23 PROPOSED ANNUAL ACTION PLAN PROJECTS FOR COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) AND HOME PROGRAMS

BACKGROUND:

As part of the City's approved 2019-23 Five-Year Community Development Block Grant (CDBG) and HOME Consolidated Plan, the City must submit an Annual Action Plan that outlines the proposed activities and budget to be implemented in the upcoming year. Those activities should be consistent with the goals and priorities identified in the Consolidated Plan. The goals and priorities the City identified in its 2019-23 Consolidated Plan are outlined in Attachment 1 along with the housing barriers that were identified in the 2019 Fair Housing Impediments Study.

The activities identified in the Annual Action Plan should address the housing and community development needs of low- and moderate-income persons as well as the housing and community development needs of non- low- and moderate-income persons in the community. The Annual Action Plan can address one or all of the goals and priorities of the housing and community development needs identified in the Consolidated Plan.

HUD regulations require that the Annual Action Plan be submitted for approval within 45 days before the beginning of the program fiscal year (i.e., by May 17, 2022). It also requires that the Plan be published for 30 days to allow for citizen input on the proposed project(s) for the utilization of the funds.

Although the President signed the 2022 omnibus appropriations bill on March 15, the 2022 CDBG and HOME funding allocations for entitlement cities has not yet been announced. Nevertheless, it is time to begin the process for determining the 2022-23 Annual Action Plan Projects in order to be prepared to meet the federal timelines.

As in the past, staff has provided the City Council with proposed plan priorities and potential projects prior to conducting forums for public input. With City Council concurrence on the proposed projects, staff will continue with drafting the plan and completing public outreach before returning to City Council for final approval.

Prior to proposing activities for the Annual Action Plan, staff reviews the following HUD guidelines that outline key steps:

- Determine if the proposed activity is included in the listing of eligible activities

- Determine if the proposed activity meets the City's Consolidated Plan priority goals for addressing the needs of low- and moderate-income persons within the community
- Determine if the proposed activity can meet one or more National Objectives
- Ensure that carrying out the activity will meet HUD's requirement that 70% of the grantee's CDBG expenditures, over a three-year period, will be on activities that benefit low- and moderate-income persons
- Meet the performance measurement requirements

Staff proposes the following programs for consideration for the 2022-2023 Annual Action Plan (see Attachment 2 for itemized budget) to continue to address the needs outlined in the Consolidated Plan data:

1. Utilize CDBG funds to provide down payment and closing cost assistance to eligible first-time homebuyers in the Baker Subdivision.
2. Utilize CDBG funds to provide rehabilitation assistance for single-family homeowners.
3. Utilize HOME funds to provide gap financing to the construction of Low Income Housing Tax Credit (LIHTC) multi-family units in the Baker Subdivision.
4. Utilize CDBG funds to acquire and demolish deteriorated residential and/or commercial properties city-wide and resell the property for redevelopment. (Up to 30% of this annual allocation can be used for non-low- and moderate-income benefit directed toward removing slum and blight.)

Staff believes that focusing on these four programs for the 2022-23 will help make an impact on the need outlined within the Consolidated Plan, while accomplishing program projects that have been adopted in the previous action plans that have not been completed. It is important to remember that with both CDBG and HOME funds the City Council can modify programming each year to accomplish housing needs in the community after new publication notices.

Staff's rationale for recommending to continue these project activities for 2022-23 is as follows:

- The project activities are consistent with the current adopted 2019-23 Five-Year Consolidated Plan goals. Along with the two barriers that were outlined in the 2019 Impediments to Fair Housing Analysis Study (see Attachment 1). Additionally, the data outlined in the Comprehensive Housing Affordability Strategy (CHAS), and the American Community Survey (ACS) information for the City of Ames is consistent with the needs outlined above.

- The proposed projects are consistent with long term **CDBG City Council goals and priorities to focus on neighborhood sustainability by improving and expanding the housing stock for in low- and moderate-income households and in our vital core neighborhoods.**
- The proposed implementation sequence for the project activities should help meet HUD's timely expenditure requirements.
- Over 90% of the activities proposed would be of 100% benefit to low- and moderate-income persons.

Because the City has not been notified of the amounts that will be allocated for 2022-23 program year, we have been advised to project the current 2021-22 CDBG allocation of \$599,177 and HOME allocation of \$350,543 for budgeting for the purposed 2022-23 Action Plan projects.

For CDBG, of the \$599,177 new allocation, approximately \$479,341 is available for programming after accounting for 20% of funding for administration. This new allocation assumption does not include any 2021-22 anticipated program roll-over funds or program income. Staff is cautiously anticipating a rollover balance of approximately \$600,000, and program income of \$50,938. Total projected revenue for the upcoming 2022/23 would be of \$1,250,115.

For HOME, of the \$350,543 new allocation, approximately \$262,908 is available for programming after excluding the 15% CHDO set aside of \$52,581 and \$35,054 for administration. Staff under this program is anticipating a rollover balance of approximately \$1,681,068 remaining from program years 2018-19, 2019-20, 2020-21, and 2021-22. Total projected revenue for the upcoming 2022/23 would be \$1,979,030 (including administration, but less the CHDO set aside).

Staff is recommending that the anticipated CDBG budget of \$1,130,279 (less administration) be allocated to the project activities outlined in Attachment 2. The need to expand and maintain the supply of affordable housing for low- and moderate-income households can best be accomplished through the implementation of the Homebuyer Assistance Program, Homebuyer Housing Improvement Programs. These program amounts represent about 64% of the total funding directly toward housing related programs.

Staff is recommending that the anticipated HOME budget of \$1,801,222 (less administration and CHDO set aside) be allocated to the project activities outlined in Attachment 2. The need to expand and maintain the supply of affordable rental housing for low- and moderate-income households can best be accomplished through providing gap financing for a potential Low Income Housing Tax Credit (LIHTC) project.

This gap financing priority is consistent with the City Council's direction from March 8 to

continue to work with Prairie Fire on the details of a modified multi-family affordable housing project within the Baker Subdivision with a maximum level of assistance of \$2,000,000. The developer has been working with staff, but a final proposal for the site is not yet available. Staff anticipates returning to City Council with an update from Prairie Fire in April, well before we finalize the final Annual Action Plan.

Once City Council provides direction for the proposed 2022-23 Annual Action Plan projects, staff will proceed with hosting public forums for citizen input and feedback. **Public feedback will be shared with City Council for final project selections in order to proceed with preparing the 2022-23 Annual Action Plan for the 30-day public comment period, once the 2022-23 allocations are announced. Also, due to the late announcement of allocations, staff anticipates requesting a submittal extension to August 16, 2022, from HUD.**

ALTERNATIVES:

1. Approve the proposed 2022-23 Annual Action Plan Program Projects and proposed budget in connection with the City's Community Development Block Grant Program described in Attachment 2 and direct staff to host public forums for citizen input and feedback.
2. Approve modified 2022-23 Annual Action Plan Program Projects and budget in connection with the City's Community Development Block Grant Program, and direct staff to host public forums for citizen input and feedback.
3. Refer this item back to staff with further direction.

CITY MANAGER'S RECOMMENDED ACTION:

With the federal budget just recently approved, staff needed to begin the process of soliciting public feedback for proposed Action Plan projects even though the 2022-23 CDBG/HOME Allocations have not yet been announced. Outlining draft projects while utilizing the 2021-22 allocation amounts for budgeting projections helps in determining the most needed projects in conjunction with the 2019-23 Consolidated Plan and the City Council's priorities.

It should be noted that the proposed 2022-23 Annual Action Plan does not include the additional HOME American Rescue Plan (ARP) funding of \$1,269,248. This money is subject to an amendment to the current Annual Action Plan and will be in addition to the resources outlined within Attachment 2.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1, as stated above.

ATTACHMENT 1

2019-23 Five-Year Consolidated Plan Goal and Priorities

Utilize and leverage CDBG and HOME Funds through “private, non-profit and public” partnerships to:

1. To create and expand affordable housing for low-income households through:
 - Increase supply of single family or two-family housing for ownership in the Neighborhood Revitalization Strategy Area (NRSA);
 - Reduce the cost burden for low-income households to access or maintain rental housing citywide; and
 - Increase the affordability and availability of owner housing for homebuyers citywide

2019-20 Fair Housing Impediments Study Barriers and Needs

1. The supply of housing for lower income households for renting; and
2. The cost of housing for lower income households for both renting and home buying.

The major difference from the 2014-19 data, is that the cost of housing is now #1 and the availability is of housing is now #2.

ATTACHMENT 2

2022-23 DRAFT Proposed CDBG/HOME Annual Action Plan Projects and Budget

DRAFT PROPOSED 2022-23 Action Plan Expenditure Budget:	
Programs	Budget
CDBG Homebuyer Assistance Program (Down payment and Closing Cost)	\$500,000
Housing Improvement Rehabilitation Program for Single-family Homeowners	\$225,000
Infrastructure Pocket Park Improvements-Baker Subdivision	\$130,000
Acquisition/Slum and Blight Removal Program	\$275,279
CDBG-CV CARES (Rent, Mortgage & Utility) Relief Assistance	\$58,282
CDBG-CV CARES Public Services Assistance-Mental Health (To Be Determined)	\$85,000
HOME Multi-Family LIHTC Assistance New Construction	\$1,801,222
General Administration for CDBG, HOME & CARES	CDBG: \$119,836 HOME: \$177,808 CARES: \$10,000
Total	\$3,382,427*
DRAFT PROPOSED 2022-23 Action Plan Revenue Budget:	
2022-23 Anticipated CDBG Allocation	\$599,177
2021-22 Anticipated CDBG Program Rollover	\$600,000
2021-22 Anticipated CDBG Anticipated Program Income	\$50,938
2021-22 Anticipated CDBG-CV CARES Rollover	\$153,282
2022-23 Anticipated HOME Allocation	\$350,543
2020-21 Anticipated HOME Program Rollover (Admn & Programming)	\$1,681,068
2022-23 Minus Anticipated CHDO Set Aside	- \$52,581
Grand Total CDBG & HOME	\$3,382,427*

*City Council should note that the anticipated revenue for the CDBG program rollover and the anticipated program income are cautious estimates being projected by staff. These projections will be adjusted when the 2022-23 allocations are announced.