

Memorandum
Community & Economic Development Department



To: Thomas E. Thomas, City Manager
Subject: CDBG Allocation Policies for 2015-2016
Date: June 10, 2014

The process for allocating Community Development Block Grant (CDBG) Entitlement funds started on Monday, June 9, 2014 where an educational overview was presented by City staff to City Council at study session. As part of the application process, the Citizen’s Advisory Committee (CAC) looks to the City Council to provide policy direction on the allocation of CDBG funds.

The change in funding in the past five years has been the following:

Year Ending March 31	Total Entitlement Awarded	% Increase /Decrease
2010	1,167,221.00	2%
2011	1,265,462.00	8%
2012	1,059,009.00	-16%
2013	904,514.00	-15%
2014	952,980.00	5%
2015	949,410.00	-.3%

The CDBG program experienced a net increase in funding for HUD for the year ending March 31, 2014. The following excerpt from a HUD e-newsletter explains this increase:

The Community Development Block Grant Program (CDBG) experienced a net increase in funding from FY 2012 to FY 2013. The FY 2012 HUD appropriations law directed that \$300 million of the CDBG funding appropriation be allocated for disaster recovery; this reduced the funding available for formula distribution in FY 2012 to \$2.94 billion. That set-aside for disaster recovery grants did not carry over to the FY 2013 Continuing Resolution, which provided \$3.07 billion for CDBG formula funding. After the mandatory reductions due to sequestration and an across-the board recession, the result is a 4.4% increase in CDBG formula national funding levels from FY 2012 to 2013.

*Please note that HUD’s FY2013 is the same as the City of Rock Island’s FY2014.

Going forward, City staff anticipates a 5% reduction in funding for the period covering April 1, 2015 to March 31, 2016. This would result in a budgeted allocation amount of \$902,000. The actual amount available will not be known until the Spring or Fall of 2015 and is subject to Congressional action.

No major policy changes were made. Copies of the proposed 2015-2016 Policies for Allocating CDBG Funds are attached. The CAC will refer to the approved policies when

making funding recommendations for the period covering April 1, 2015 to March 31, 2016.

Recommendation

City Council to approve the Community Development Block Grant allocation policies covering the period from April 1, 2015 to March 31, 2016.

Submitted by: Jeffery A. Eder, Assistant City Manager / CED Director
Dena Grunewald, CED Budget & Grants Manager

Approved by: Thomas Thomas, City Manager

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

CITY OF ROCK ISLAND

**POLICIES FOR ALLOCATING CDBG FUNDS
COVERING PROGRAM YEAR APRIL 1, 2015 TO MARCH 31, 2016**



INTRODUCTION

As an Entitlement Community for Community Development Block Grant (CDBG) funds from the Federal Department of Housing and Urban Development (HUD), the City of Rock Island must establish a process for distributing CDBG dollars. This process allows funds to be allocated in a way that includes local residents, meets various community needs, and targets community development objectives set forth in the City's 2013-2017 Consolidated Plan.

Each year, Rock Island City Council approves a set of policies for allocating CDBG funds. Approval of these policies creates guidelines for the Citizens Advisory Committee (CAC) to make recommendations on the types of programs to fund, as well as recommended amounts. Upon careful consideration of CAC recommendations, City Council then has the discretion to adjust recommendations based on available funding and community needs.

Eligible applicants for CDBG funding include not-for-profit corporations, neighborhood organizations, and units of local government.

In addition, there are three criteria that must be met in order to be eligible for funding consideration:

1) The activity must meet at least one of three National Objectives established by HUD:

- a) Benefit to low- and moderate- income Rock Island City residents
- b) Aid in the prevention or elimination of slums or blight within Rock Island City limits
- c) Meet a need having a particular urgency (referred to as urgent need)

2) The activity must fall into one of six categories of expenses that are eligible for CDBG assistance:

- a) Acquisition, Disposition, Clearance &/or Relocation
- b) Administration & Planning (subject to 20% cap)
- c) Economic Development
- d) Housing
- e) Public Facilities & Infrastructure Improvements
- f) Public Services (subject to 15% cap)

****Further detail and information on what is eligible under each of these categories and the respective accomplishments to report are included in Appendices A, B, & C.*

3) The activity must meet at least one of the five priorities within the City of Rock Island's 2013-2017 Consolidated Plan:

- a) Promote, Increase, and Maintain Homeownership
- b) Provide Safe, Affordable, Decent Housing to Renters
- c) Economic Development, Revitalization, Job Creation
- d) Transitional & Permanent Support Housing & Service
- e) Non-Homeless Persons with Special Needs

Applicants are required to fill out an application and provide supporting documentation. After the applications are reviewed by City staff and the CAC committee, recommendations will be presented to City Council who will approve funding awards.

**FOR HELP OR TECHNICAL ASSISTANCE WITH THE
APPLICATION, PLEASE CONTACT:**

Dena Grunewald at grunewald.dena@rigov.org or (309) 732-2904

Based on previous experience, HUD guidance, and Council priorities the remainder of this document addresses allocation for four broad policy areas and related subcategories including:

1. Housing

- a. City Housing Rehabilitation Programs
- b. Use of Housing Rehabilitation Program Income
- c. Use of Housing Rehabilitation Carry-Over Funds
- d. CDBG Allocation to Outside Agencies For Housing Activities
- e. Housing Rehabilitation Allocation Adjustments
- f. Demolition
- g. Code Enforcement

2. Economic Development Activities

- a. Administrative Activities
- b. CIRLF
- c. Allocation to Outside Agencies

3. Social Services

- a. Allocation Amounts
- b. The Martin Luther King Center

4. Allocations

- a. CAC Recommendations

HOUSING ACTIVITIES

POLICY 1: CITY HOUSING REHABILITATION PROGRAMS

- 1a. City housing rehabilitation programs will be funded at a level adequate to support programs meeting local needs;
- 1b. Housing rehabilitation programs should be flexible, meet the needs of various income groups, and focus on improving the quality of the housing stock in the City of Rock Island;

POLICY 2: USE OF HOUSING REHABILITATION PROGRAM INCOME

- 2a. Program income generated by City Housing Rehabilitation programs will be reserved for City housing and neighborhood redevelopment activities and shall be approved by City Council as part of the annual budget process;
- 2b. Principal and interest payments generated from the City's rehab programs should be used as a source that provides additional revenue to reinvest in neighborhoods. When impacted by cuts in federal funding, the program income generated from these loans can be a critical source for keeping rehabilitation programs in operation;
- 2c. The City's loan programs may be made available to residents who are not eligible for other housing programs, or who cannot obtain one-hundred-percent financing from other financial institutions. The City and local lenders work together, in this regard, to leverage funds and produce more home repairs.

POLICY 3: USE OF HOUSING REHABILITATION CARRY-OVER FUNDS

- 3a. Budgeted but unspent funds (carry-over funds) committed to City housing rehabilitation activities will remain available to those activities;

POLICY 4: CDBG ALLOCATION TO OUTSIDE AGENCIES FOR HOUSING ACTIVITIES

- 4a. CDBG funds may be allocated to agencies other than the City that have demonstrated the willingness, capacity, and ability to conduct housing rehabilitation and related housing assistance programs. Such outside agencies must also have the capacity to leverage additional resources;
- 4b. CDBG funds may be used for program and administrative expenses associated with housing and neighborhood activities;
- 4c. The Citizens Advisory Committee (CAC) will make recommendations to City Council on which agencies to allocate CDBG funds for purposes of carrying out rehabilitation and neighborhood activities. Decisions of the CAC and subsequent action by City Council will consider the past performance, capacity, and ability of applicant agencies to bring additional funding resources into the Rock Island community to leverage additional projects.

POLICY 5: HOUSING REHABILITATION ALLOCATION ADJUSTMENTS

- 5a. Community and Economic Development Staff working with the CDBG program may exercise discretion to adjust dollars among Council approved housing and neighborhood programs to meet actual demands. Staff should have flexibility to re-allocate City funds from areas of less prevalent need to areas of more prevalent need (*e.g. shifting funds*

from an existing or underutilized housing program to meet an emergency homeowner repair);

- 5b. Shifting or reallocation of funds to meet needs may only occur within the City's housing rehabilitation programs.

POLICY 6: DEMOLITION

- 6a. Where eligible, the City should first use Tax Increment Financing (TIF) or Gaming funds to remove vacant, dilapidated structures, when it is unlikely that the owner will provide for the demolition. CDBG funds may be used for this purpose, if funding from TIF or Gaming is unavailable.
- 6b. TIF, Gaming or CDBG funds should only be used for demolition in cases where there is little likelihood that the private owner will undertake the demolition and when the structure cannot be rehabilitated. Where a structure has sustained damage such that it is a total loss, the City will move to have the structure demolished;
- 6c. TIF, Gaming, and/or CDBG funds may be used for the removal of burned out and secondary structures, such as garages, when deemed appropriate by City Staff.

POLICY 7: CODE ENFORCEMENT

- 7a. CDBG funds should be used to support code enforcement activities (including the Rental Inspection Program), in an effort to bring substandard dwellings into compliance with minimum housing standards;
- 7b. The court system will be used as a last resort for gaining code compliance; code enforcement staff will respond on a complaint basis only;
- 7c. The Code Hearing Officer will be used to facilitate compliance from property owners who have not responded to routine notices. Code enforcement efforts will continue to focus on investor owned properties.

ECONOMIC DEVELOPMENT ACTIVITIES

POLICY 8: ECONOMIC DEVELOPMENT ADMINISTRATIVE ACTIVITIES

- 8a. A portion of CDBG administrative funds will be used to support staff work on economic development activities. City staff administer multiple economic development activities including its Commercial Industrial Revolving Loan Fund program (*funded through*

CDBG) and working with businesses to help increase job opportunities, expand the tax base, and revitalize the economy's commercial, office, and industrial sectors.

**POLICY 9: COMMERCIAL INDUSTRIAL REVOLVING LOAN FUND (CIRLF)
PROGRAM INCOME**

9a. Program Income generated by CIRLF principal and interest repayments will be returned to the CIRLF Revolving Loan Fund.

**POLICY 10: ALLOCATION TO OTHER AGENCIES FOR ECONOMIC
DEVELOPMENT ACTIVITIES**

- 10a. CDBG funds may be allocated to agencies outside the City that share a similar economic development strategy. Decisions of the CAC and subsequent action by Council should consider the performance, capacity, and ability of applicant agencies to bring additional revenue into the Rock Island Community;
- 10b. CDBG funds may used for program and administrative expenses associated with carrying out economic development activities,

SOCIAL SERVICE ACTIVITIES

POLICY 11: ALLOCATION AMOUNTS

- 11a. No more than 15 percent of the City's total CDBG entitlement shall be allocated to social service agencies. This is consistent with federal regulations;
- 11b. No social service agencies shall receive an amount that exceeds the amount of funds requested.

POLICY 12: THE MARTIN LUTHER KING COMMUNITY CENTER

12a. Due to variable CDBG funding, increasing costs at the Martin Luther King Center, and the City's responsibility to operate and maintain the Center, The Martin Luther King Community Center shall be allocated all CDBG social service dollars available to help meet operating and maintenance expenses.

CAC AND FUNDING RECOMMENDATIONS

POLICY 13: CAC AND FUNDING RECOMMENDATIONS

- 13a. The CAC will review agency requests and make funding recommendations to City Council. Recommendations will take into consideration the performance, cost effectiveness, capacity, and objectives of the applicant agency;
- 13b. The CAC shall have the discretion to not recommend funding of an agency, based on an assessment of the most cost effective commitment of CDBG funds. If it is determined that a small allocation to an agency shall be more productively used by another agency, or if the request does not meet a significant need in Rock Island, the CAC can recommend no funding.