

Request for City Council Committee Action from the Department of IGR

Date: July 7, 2009

To: Lisa Goodman, Chair, Community Development Committee
Referral to: Paul Ostrow, Chair, Ways & Means/Budget Committee

Subject: 2010 Community Development Block Grant (CDBG) Funding Options

Recommendation: Receive and File report.

Previous Directives: March 12, 2009-Finance and IGR are directed to work with all department heads to review current CDBG allocations, excluding those allocated by the Public Health Advisory Committee, and any additional CDBG funding and return to the Community Development Committee and Ways and Means by June 15, 2009 with a complete review of CDBG funding available for activities currently funded in the general fund across all departments. For consideration in the 2010 budget process.

Department Information

Prepared by: Matt Bower, Project Coordinator, IGR-Grants and Special Projects
Approved by: Gene Ranieri, IGR Director, _____
Presenters in Committee: Matt Bower, Project Coordinator, IGR-Grants and Special Projects;
LaTonia Green, Manager, Budget Information and Analysis, Finance Department

Financial Impact

- No financial impact

Supporting Information

The following report summarizes potential program/project areas and associated departments eligible for potential CDBG funding. All identified program options are still subject to U.S. Department of Housing and Urban Development eligibility review and approval, however, if city staff can identify the programs as meeting one of the listed CDBG National Objectives discussed below, then HUD approval is likely.

Finance Department and Grants and Special Projects Office staff sent a CDBG eligibility guide to all city departments along with the department business lines detailed in the 2009 Budget. Departments were requested to meet with staff to discuss any department-identified options. After reviewing eligibility uses, several departments indicated that they had no program options that merited a CDBG discussion. The following programs/project areas listed below encapsulates the discussions that did occur with departments.

In order to be funded with CDBG, a program/project that can meet an eligible CDBG use also needs to be able to meet a CDBG national objective. The likely national objectives that need to be met are Low/Moderate Income and Slum/Blight Benefit. The City is required by

HUD to annually certify that at least 70% of CDBG expenditures are of a Low/Moderate Income Benefit.

Low/Moderate Income Benefit: as measured by Housing, Income (Limited Clientele), Jobs or Area.

Any of the above Low/Mod Income Benefit criteria can be met if at least 51% of the direct beneficiaries of the CDBG-funded program/project are low and/or moderate income ($\geq 80\%$ of area (metro) median income). Not all of the above measures can be applied to a particular eligible activity.

The Housing measure test is met if at least 51% of the housing units in the project are affordable to low/moderate income households. The Jobs test is met if at least 51% of the new or retained jobs associated with the project are made available to low/moderate persons. The Area test is if the service area of the program is composed of at least 51% low/moderate income persons.

The Income (Limited Clientele) test is met through documentation of income. For the Income measure, certain populations are presumed to meet this test if they are exclusively served by the funded program: abused children, battered spouses, elderly, adults meeting the Census Bureau definition of "severely disabled", homeless persons, illiterate adults, persons living with AIDS, and migrant farm workers.

Slum/Blight Benefit

Slum/Blight Benefit is either determined on an Area or Spot basis. Either determination is by official local determination. Generally only capital uses of CDBG can meet a Slum/Blight Benefit.

The other consideration in determining what activities to fund with CDBG concerns public service programming. A maximum of 15 % of the CDBG budget can be used for public service programming. With regard to public service programs, CDBG regulations do not permit the supplanting of local funds with CDBG funds. Any public service funded with CDBG must either be a new public service offering or a quantifiable increase in an existing service.

"To be eligible for CDBG assistance, a public service must be either a new service or a quantifiable increase in the level of an existing service above that which has been provided by or on behalf of the unit of general local government (through funds raised by the unit or received by the unit from the State in which it is located) in the 12 calendar months before the submission of the action plan. (An exception to this requirement may be made if HUD determines that any decrease in the level of a service was the result of events not within the control of the unit of general local government.)"—24 CFR 570.201 (e).

Ineligible Uses for CDBG

There are several ineligible CDBG uses when considering a potential program/project for CDBG funding.

- Buildings or portions thereof, used for the general conduct of government cannot be assisted with CDBG funds.
- General government expenses. Except as otherwise specifically authorized CDBG regulations or under OMB Circular A-87, expenses required to carry out the regular responsibilities of the unit of general local government are not eligible for assistance.

- Political activities. CDBG funds can not be used to finance the use of facilities or equipment for political purposes or to engage in other partisan political activities, such as candidate forums, voter transportation, or voter registration.

The following are also ineligible unless carried out through an existing eligible activity.

- Purchase of equipment. The purchase of equipment with CDBG funds is generally ineligible.
- Construction equipment. The purchase of construction equipment is ineligible, but compensation for the use of such equipment through leasing, depreciation, or use allowances pursuant to OMB Circulars A-21, A-87 or A-122 as applicable for an otherwise eligible activity is an eligible use of CDBG funds.
- Furnishings and personal property. The purchase of equipment, fixtures, motor vehicles, furnishings, or other personal property not an integral structural fixture is generally ineligible. CDBG funds may be used, however, to purchase or to pay depreciation or use allowances (in accordance with OMB Circular A-21, A-87 or A-122, as applicable) for such items when necessary for use by a recipient or its subrecipients in the administration of activities assisted with CDBG funds, or when eligible as fire fighting equipment, or when such items constitute all or part of a public service.
- Operating and maintenance expenses. The general rule is that any expense associated with repairing, operating or maintaining public facilities, improvements and services is ineligible.
- New housing construction. Activities in support of the development of low or moderate income housing including clearance, site assemblage, provision of site improvements and provision of public improvements and certain housing pre-construction costs, are not considered as activities to subsidize or assist new residential construction.
- Income payments. The general rule is that CDBG funds may not be used for income payments. For purposes of the CDBG program, "income payments" means a series of subsistence-type grant payments made to an individual or family for items such as food, clothing, housing (rent or mortgage), or utilities, but excludes emergency grant payments made over a period of up to three consecutive months to the provider of such items or services on behalf of an individual or family.

Potential CDBG Program Funding Summary

Police Department—

- Community Crime Prevention Specialists (public service qualified, need to service low/mod areas).

Fire Department—

- Fire Protection Equipment (considered by HUD to be an integral part of a public facility and thus eligible as a public facility project, need to service a low/mod area).

Public Works—

- Capital improvements (identified to be of benefit to low/mod areas; improvements could be support of projects identified and prioritized through the CLIC process; operations, repair and maintenance of public facilities and improvements are ineligible).

Health and Family Support—

- Capital improvements to public facilities providing public service programming.
- Senior Ombudsman (public service).
- Pre-School Screening (need to service low/mod areas).
- Health Public Service such as Minnesota Visiting Nurses Association (need to service low/mod areas).

Regulatory Services—

- Animal Control use of Minneapolis Police Department officer services (public service, need to service low/mod areas).