

EUGENE CITY COUNCIL

AGENDA ITEM SUMMARY



Action: 2011/12 Funding Allocations for Federal Community Development Block Grant and HOME Investment Partnership Programs

Meeting Date: April 25, 2011
Department: Planning & Development
www.eugene-or.gov

Agenda Item Number: 5
Staff Contact: Stephanie Jennings
Contact Telephone Number: 541-682-5529

ISSUE STATEMENT

The City Council is asked to approve the allocation of funds received through two Federal programs administered by the U.S. Department of Housing and Urban Development (HUD). Through the Community Development Block Grant program (CDBG), Eugene may allocate an estimated \$1,258,600 in entitlement grant funds as well as \$1,500,000 in program income. Through the HOME Investment Partnership Program (HOME), Eugene may allocate an estimated \$954,705 in entitlement grant funds and \$85,000 in program income.

BACKGROUND

Each spring, the City Council approves funding allocations for use of CDBG and HOME funds for the next fiscal year. The proposed uses of funds are described and submitted to HUD each year in a document called the One-Year Action Plan. The Action Plan must be submitted to HUD by May 15, 2011. The proposed uses of funding must align with the local community needs and strategic plan described in the Eugene-Springfield 2010 Consolidated Plan. The CDBG Advisory Committee advises the City on the use of CDBG funds and the Housing Policy Board (HPB) advises the City on the use of HOME funds. In addition, the Action Plan must provide an update on the City's use of the Section 108 and Brownfield Economic Development Initiative (BEDI) funds. Activities under the CDBG, HOME, and Section 108/BEDI programs are described below.

Community Development Block Grant

The primary purpose of CDBG is to address the needs of low- and moderate-income persons. The City is a CDBG entitlement jurisdiction and has received annual entitlement grants since 1975. Each year, the Community Development Block Grant Advisory Committee, a Departmental Advisory Committee, reviews requests for CDBG funds, holds a public hearing, and makes a final recommendation to staff for use of CDBG funds for the next fiscal year. Funds available for allocation for FY 2011/12 are described below:

- **New CDBG Entitlement Grant Funds (\$1,258,600)** – Each year, Congress appropriates funds for CDBG and HUD distributes funds according to a formula to entitlement jurisdictions. This is an estimate of funds to be allocated to the City of Eugene. The estimated entitlement allocation for FY 2011/12 is less than the previous year's grant by \$239,740.
- **CDBG Program Income (\$1,500,000)** – The City of Eugene expects to receive \$1,500,000 in program income through two revolving loans that have been established with CDBG funds. The Business Development Fund will generate an estimated \$1,100,000 in FY 2011/12 and the

Housing Rehabilitation Fund will generate an estimated \$400,000. In accordance with HUD requirements, program income from revolving loan funds can only be allocated to further the activities of the respective loan funds.

The CDBG Advisory Committee held a public hearing and adopted a final recommendation for use of CDBG funds on April 12, 2011. The recommended allocation of new entitlement funds includes funding for public services which includes operating funds for eight social service programs, landbanking program, microenterprise training, and program administration. The package of recommended uses will address critical community needs for social services, affordable housing, and employment opportunities. If the City's actual allocation of new entitlement funds is greater or lesser than estimated, adjustments will be made to the allocation for the landbanking program. Program income from the Business Development Fund and Housing Rehabilitation Fund will be allocated for new business and housing rehabilitation activities.

Attachment A provides a table showing the sources, recommended uses, and a brief description for each use of CDBG funds.

HOME Investment Partnership Program

The primary purpose of HOME is to expand the supply of housing affordable to low-income persons. The City is the lead entity in the Eugene-Springfield Home Consortium, which has received annual entitlement grants since 1992. The Eugene-Springfield Consortium will receive an estimated \$1,363,864 in HOME funds in FY 2011/12. This entitlement allocation is \$185,982 less than the amount received in the previous year. Eugene will receive 70 percent of entitlement grant funds (\$954,705) and Springfield will receive 30 percent (\$409,159). The expected program income will come from repayments received through the Homebuyer Assistance Program and from other housing development loans.

The HPB met on April 4, held a public hearing, and made a recommendation for allocation of HOME funds to both jurisdictions. HPB recommends that Eugene's portion of HOME funds be divided among four program areas: 1) Housing Development Programs; 2) Homebuyer Assistance Program (HAP); 3) Security Deposit Assistance; and 4) Community Development Housing Organization (CHDO) Operating Support. The proposed allocation is similar to previous allocation of HOME funds with the addition of a pilot security deposit assistance program. The proposed allocation maintains support for a mix of housing development, renter assistance, homebuyer assistance, and organizational support. In addition to these programs, Eugene staff anticipates up to \$1,000,000 will be available for HOME interim financing. Through HOME interim financing, the City makes short-term loans for HOME eligible uses with funds dedicated but not yet disbursed for specific projects. The amount of funds available for HOME interim financing is dependent on project timing. If the City's actual allocation is greater or lesser than estimated, adjustments will be shared equally across the program areas and administration.

Attachment B includes a table which provides the sources, recommended uses, and a brief description for each use of funds.

Section 108 Loan Guarantee Program

In July 2006, HUD selected the City's Section 108 application to create a \$9,895,000 loan pool, together with BEDI grant funds, for redevelopment projects within the Downtown and Riverfront urban renewal districts. On February 26, 2007, the City Council approved an ordinance authorizing the use of the

Section 108 loan as a financing tool. The non-emergency ordinance established the City's general ability to borrow for Section 108 projects with individual projects to be approved by council resolution.

The City has focused use of the Section 108/BEDI funds on the Beam Development project at the heart of downtown. The City has an agreement with Beam Development to transform the important intersection of Willamette and Broadway into a vital area with restaurants, retailers, and office space. Section 108/BEDI funds will be utilized in two stages: Project #1 - loan for acquisition of the properties and Project #2 - loan to Beam Development for rehabilitation of the Centre Court building. The City Council approved a resolution in support of Project #1 on July 23, 2007, and a resolution for Project #2 on January 11, 2010.

Beam Development is currently completing the work necessary to rehabilitate the renamed Broadway Commerce Center building for office and retail use. The building will provide unique, creative loft-like spaces for established business and incubator space for newly emerging businesses. Prospective tenants currently include an architecture firm and several software development firms. The building is expected to be available for tenants in early fall, 2011.

RELATED CITY POLICIES

The Action Plan must be developed in accordance with the Eugene-Springfield 2010 Consolidated Plan, which assesses local needs and establishes a five-year strategic plan. In order to allocate funds to specific programs or projects, HUD regulations require a citizen participation process, including advertising and conducting a public hearing, followed by City Council action.

The Action Plan is also consistent with other plans adopted by the local jurisdictions, such as the Residential Land Use and Housing Element of the Metropolitan Area General Plan, Eugene City Council Adopted Growth Management Policies, the Diversity and Equity Strategic Plan, the Lane County Ten Year Plan to End Chronic Homelessness, and the Lane County Continuum of Care Plan. The proposed uses of funds also specifically support economic development and affordable housing goals set forth in the Envision Eugene Pillars.

COUNCIL OPTIONS

The City Council can approve, not approve, or modify the One-Year Action Plan for use of Federal CDBG and HOME funds for 2011/12.

CITY MANAGER'S RECOMMENDATION

The City Manager recommends approval of the One-Year Action Plan for use of Federal CDBG and HOME funds in 2011/12.

SUGGESTED MOTION

Move to approve the One-Year Action Plan for use of Federal CDBG and HOME funds in 2011/12.

ATTACHMENTS

- A. CDBG Sources and Uses Table and Summary of Recommended Uses
- B. HOME Allocation Table and Summary of Recommended Uses
- C. CDBG Advisory Committee and Housing Policy Board Membership

FOR MORE INFORMATION

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ATTACHMENT A – CDBG Sources and Recommended Uses Table and Summary Descriptions

SOURCES OF FUNDS	AMOUNT
NEW CDBG ENTITLEMENT GRANT	\$ 1,258,600
CDBG PROGRAM INCOME	
Business Development Fund	\$ 1,100,000
Housing Rehabilitation Fund	\$ 400,000
TOTAL	\$ 2,758,600

RECOMMENDED USES OF NEW CDBG ENTITLEMENT GRANT	AMOUNT
AFFORDABLE HOUSING	
Landbanking	\$ 428,600
Housing Rehabilitation Loan Fund	\$ -
PUBLIC SERVICES	
Social Service Agencies (HSC)	\$ 350,000
Non-Profit Capital Improvements	\$ -
PUBLIC ACCESSIBILITY IMPROVEMENTS	
Curb Ramps	\$ -
Audible Pedestrian Signals	\$ -
ECONOMIC DEVELOPMENT	
Business Loan Program	\$ -
Microenterprise Training Program	\$ 30,000
ADMINISTRATION	\$ 450,000
TOTAL	\$ 1,258,600

RECOMMENDED USES OF PROGRAM INCOME	AMOUNT
Business Development Fund	\$ 1,100,000
Housing Rehabilitation Fund	\$ 400,000
TOTAL	\$ 1,500,000

Landbanking for Low-Income Housing Development – \$428,600 is recommended for allocation to the landbanking for affordable housing program. Through this program, the City provides critical resources for the purchase of land and associated infrastructure costs to be made available for the development of homes and rental units for low-income households. Staff is currently investigating several potential landbank sites and anticipates identification of one or more sites for purchase within the next fiscal year. Timing is ideal for acquisition given declining real estate prices and an increase in the number of sites available for purchase. In addition, it will be necessary to make infrastructure improvements to one parcel already owned by the City.

Housing Rehabilitation Fund – No new funds are recommended and as the program can sustain itself through prior year allocations and \$400,000 in program income. The Housing Rehabilitation Fund is a revolving loan fund that offers low-interest loans for improvements to residences occupied by low-income homeowners and renters. In addition, emergency repair grants and loans of up to \$5,000 are available to very low-income homeowners for urgent repairs and accessibility features. Grants of up to \$5,000 for accessibility improvements are available for renters with disabilities.

Public Services Operations - \$350,000 is recommended to support the operations of nonprofit agencies selected and managed through the intergovernmental Human Services Commission (HSC). Public service funding is capped at 15% of new grant funds and program income from the prior fiscal year. This maintains the current funding level. Programs to be funded include: Catholic Community Services family counseling, FOOD for Lane County dinner program and food box distribution, Relief Nursery therapeutic preschool, St. Vincent DePaul singles and family day access centers, and White Bird medical/dental clinics.

Non-profit Capital Facility Projects – No new funds are recommended for allocation to nonprofit capital facilities. Given changes in funding for human service operations and uncertainty regarding the CDBG allocation, staff and the committee did not issue a specific request for non-profit capital facility projects.

Curb Ramps – No new funds are recommended to support the installation of curb ramps on existing streets and sidewalks to remove barriers for persons with disabilities. Some funds previously allocated for curb ramps are available for use in FY11/12. The Public Works Department works in coordination with the Accessibility Committee of the Human Rights Commission to identify and prioritize placement of curb ramps.

Accessible Pedestrian Signals – No new funds are recommended to support the installation of Accessible Pedestrian Devices (APDs) at existing signalized intersections to remove barriers for persons with disabilities. Some funds previously allocated for accessible pedestrian signals are available for use in FY11/12. The Public Works Department works in coordination with the Accessibility Committee of the Human Rights Commission to identify and prioritize placement of accessible pedestrian signals.

Business Development Fund - No new funds are recommended and as the program can sustain itself through prior year allocations and \$1,100,000 in program income to finance loans to businesses resulting in the creation of jobs for low-income persons. The Business Development Fund is a CDBG revolving loan fund for new and expanding local businesses that promotes job creation for low and moderate income individuals. Although the program is mainly focused on job creation, commercial revitalization projects that eliminate conditions of slums and blight are also eligible.

Lane MicroBusiness - \$30,000 is recommended to support microenterprise training conducted by Lane MicroBusiness (aka eDEV). These funds will provide micro-enterprise business development services such as training, education, and workshops for Eugene low-income micro-business entrepreneurs.

Administration - \$450,000 is requested for administration which includes support for project implementation, development of the annual action plan and year-end report, staff support for the CDBG Advisory Committee, fair housing activities contracted with Fair Housing Council of Oregon, the City's Central Services allocation, the annual audit, general program administration, and other regulatory compliance requirements. Administration costs are 16.3% of CDBG entitlement and program income.

ATTACHMENT B – HOME Sources and Recommended Uses Table and Summary Descriptions

SOURCES OF FUNDS	AMOUNT
NEW HOME ENTITLEMENT GRANT	\$ 954,705
UNUSED FUNDS FROM PREVIOUS YEARS	\$ -
PROGRAM INCOME	\$ 85,000
TOTAL	\$ 1,039,705

RECOMMENDED USES OF FUNDS	AMOUNT
HOUSING DEVELOPMENT	\$ 602,235
HOMEBUYER ASSISTANCE PROGRAM	\$ 245,000
SECURITY DEPOSIT ASSISTANCE	\$ 49,000
CHDO OPERATING SUPPORT	\$ 48,000
ADMINISTRATION	\$ 95,470
TOTAL	\$ 1,039,705

Housing Development – \$602,235 is recommended to support Housing Development activities including acquisitions, new development construction, rehabilitation, and project-related soft costs incurred by the jurisdictions. Funds can be used for rental or homeownership developments. Eugene awards funds allocated for Housing Development through an annual RFP processes. Eugene’s 2011 RFP was released March 11 and proposals are due May 31, 2011. The Evaluation Committee of the HPB will review the proposals in June, HPB will hold a public hearing and make a recommendation in September, and the recommendation is scheduled to be considered by City Council in September.

Homebuyer Assistance Program (HAP) – \$145,000 in new funds and up to an additional \$85,000 in program income is recommended to support HAP. Through HAP, the City offers up to \$10,000 in downpayment assistance to low-income households seeking to purchase homes.

Security Deposit Assistance Program - \$48,000 in new funds for a security deposit assistance program is recommended to help households earning less than 50 percent of area median income to attain suitable rental housing. If funds are allocated, staff will work with member of HPB and area housing agencies to develop and implement the program.

Community Development Housing Organization (CHDO) Operating Funds – \$48,000 is recommended for CHDO operating support to expand the capacity of CHDOs to develop affordable housing. All CHDOs must be certified or recertified each year in order to receive CHDO Operating Funds. In addition to meeting organizational requirements, recipients of operating support must agree to apply for HOME project funds or have a HOME project underway. Past recipients include: Mainstream Housing, Inc, Metropolitan Affordable Housing Corporation (Metro), Neighborhood Economic Development Corporation (NEDCO), and St. Vincent dePaul Society of Lane County, Inc.

Administration - \$95,470 is recommended for Administration costs. The Federal grant management system automatically budgets 10% of new HOME funds for administration. Administration activities include support for project implementation, development of the annual action plan and year-end report, staff support for the HOME allocation process, annual project monitoring, general program administration, and other regulatory compliance requirements.

ATTACHMENT C – CDBG Advisory Committee and Housing Policy Board Membership

CDBG Advisory Committee

Victoria Bosch
Drix
John Fisher
Linda Hamilton
Hanna Scholz (chair)

Housing Policy Board

Sid Leiken, Lane County Commissioner
Chris Pryor, Eugene City Councilor
Dave Ralston, Springfield City Councilor

Norton Cabell, Chairperson
Karen Clearwater
Virginia Thompson
John VanLandingham