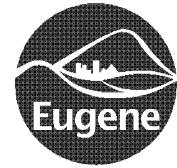


EUGENE CITY COUNCIL AGENDA ITEM SUMMARY



Reprogramming of Community Development Block Grant Funds

Meeting Date: April 8, 2013
Department: Planning & Development
www.eugene-or.gov

Agenda Item Number: 3F
Staff Contact: Michael Wisth
Contact Telephone Number: 541-682-5540

ISSUE STATEMENT

The City Council is asked to approve the reprogramming of Community Development Block Grant (CDBG) funds from White Bird's Chrysalis Outpatient Center expansion project and the Housing Rehabilitation Loan Fund to the City of Eugene Public Works Department's Blair Streetscape Improvement Project and the Business Development Fund, respectively.

BACKGROUND

The City of Eugene established current goals and programs benefitting low-income people through the adopted 2010 HUD Consolidated Plan. The Consolidated Plan guides the use of CDBG and HOME funds over a five-year period. Each year, the City Council approves the allocation of federal funds through a One-Year Action Plan. The funding allocations and uses of funds are described and submitted to HUD each year in a document called the One-Year Action Plan and must align with the goals and programs in the adopted Consolidated Plan. From time to time, the City Council also approves the reprogramming of federal funds among projects and programs to address unavoidable changes in approved projects or to facilitate timely use of CDBG funds as required by HUD.

Reprogramming funds for the Blair Streetscape Improvement Project

In the FY 2012/2013 allocation process, the council approved a CDBG nonprofit capital improvement grant of \$189,716 for White Bird to expand and relocate its Chrysalis Outpatient Center. Subsequently, White Bird secured alternative financing for this project and declined its CDBG grant. Public Works requested CDBG funding for the Blair Streetscape Improvement Project in FY 2012/2013, but the City's annual CDBG entitlement was insufficient to fund this project in addition to those recommended to the council for approval. Following White Bird's return of the funding, the CDBG Advisory Committee recommends that these funds be reprogrammed for the Blair Streetscape Improvement Project. The reprogramming of White Bird's award funds to the Blair Streetscape Improvement Project enables Public Works to complete the proposed improvements for greater pedestrian and bicycle accessibility in conjunction with other related improvements this summer. The construction schedule allows the federal funds to be spent down without delay to meet HUD's timeliness requirements.

Reprogramming funds to capitalize the Business Development Fund

The City's Business Development Fund (BDF) is a tool to advance the goals of the regional prosperity plan. The BDF meets federal CDBG goals for the creation of jobs and the elimination of conditions of

slums and blight. The program provides business loans to new and expanding local businesses that are unable to access complete project financing through conventional lending sources. The BDF has loaned almost \$19 million to over 230 Eugene businesses, leveraging an additional \$68 million in private investment. Since 1984, the BDF has helped to create over 1,300 new jobs.

The BDF generates much of its funding through program income from loan repayments. The interest earnings help cover program administration costs and the principal returned to the fund is re-loaned. The current economic climate and tightened lending market has increased the need for business financing provided by the BDF. Given the loan volume and the cash-on-hand available in the BDF fund, it is projected that demand will outpace available funding.

The Housing Rehabilitation Fund is overcapitalized compared to the BDF. Reprogramming funds from the Housing Rehabilitation Fund to the BDF Fund will ensure the fund has sufficient capital to meet the demand for business loans, and maximizing its job creation potential.

Reprogramming will also facilitate compliance with HUD timeliness requirements and streamline grant administration for both loan programs. Both loan programs are sustained by program income generated from loan repayments with periodic injections of new capital through the annual CDBG allocation process. The BDF fund has a minimal amount of cash on hand relative to projected demand and is well-poised to expend these funds whereas the Housing Rehabilitation Fund has a large amount of capital generated through program income relative to demand and is in a poor position to expend these funds in the foreseeable future. Reallocating the \$120,000 in past entitlement award funding used to capitalize the Housing Rehabilitation Fund will enable these funds to be expended in a more timely manner.

The CDBG Advisory Committee advises the City on the use of CDBG funds. The committee held a public hearing and recommended approval of the proposals to reprogram funds for the Blair Streetscape Improvement Project and for the BDF fund at their meeting on March 12. To amend the One-Year Action Plan and reallocate funds to specific programs or projects, HUD regulations require a citizen participation process, including advertising a 30-day written comment period and a public hearing to be held at a CDBG Advisory Committee meeting, followed by City Council action. A legal advertisement was published in the Register Guard on January 28 providing notice of the comment period and public hearing. No written comments were received and no community members spoke at the public hearing.

RELATED CITY POLICIES

The recommended proposals support the City's community development goals established in the Consolidated Plan 2010, which guides the use of federal CDBG and HOME funds through 2015.

COUNCIL OPTIONS

The City Council has three options:

1. Approve funding for both of the proposals as recommended.
2. Approve funding for one of the proposals as recommended.
3. Decline to approve funding both proposals.

CITY MANAGER’S RECOMMENDATION

The City Manager recommends option 1, including approval of option 1: Approve reprogramming of CDBG funding from the White Bird Chrysalis Outpatient Treatment Center Expansion project to the Blair Streetscape Improvement project and from the Housing Rehabilitation Fund to the BDF Fund.

SUGGESTED MOTION

Move to approve the reprogramming of: 1) \$189,716 in CDBG funds from the White Bird Chrysalis Expansion project to the Blair Streetscape Improvement Project and 2) \$120,000 in past program funds from the Housing Rehabilitation loan fund to the BDF loan fund.

ATTACHMENTS

None

FOR MORE INFORMATION

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