

AGENDA ITEM #: _____

DATE: May 18, 2020

CAR #: #2020-6941ws



CITY COUNCIL ACTION REPORT

SUBJECT: Community Development Block Grant (CDBG) Entitlement Community

STAFF PRESENTER(S): Christina Panaitescu, Grants & Neighborhood Services Supervisor

OTHER PRESENTER(S):

Summary: Council will receive a presentation on the City's status as a CDBG Entitlement Community, the process for becoming an entitlement community grantee, and options for future participation in the CDBG program.

Recommendation:

Accept HUD's invitation to become an Entitlement Community Grantee effective FY2022.

Fiscal Impact: If the city were to pursue HUD CDBG Entitlement status, it would begin to receive a direct allocation (estimated at \$424,000 in FY2021) for use on programs and projects that meet a defined national objective including providing decent housing, suitable living environment, and expanded economic opportunities primarily to low and moderate income persons. Although there is no local match requirement, the city will have to expend resources to hire staff and/or consultants to support the development of necessary documents, policies, and program implementation and oversight. Up to 20% of the allocation can be used for administration; however, the costs to administer the CDBG program will exceed this allotment. Entitlement status would also open the door to additional opportunities such as Section 108 Loans, low interest loans up to five times an entitlement for efforts that meet the national objectives serving low and moderate-income persons.

The estimated cost to prepare plans and other requirements to receive an entitlement is a one-time FY2021 General Fund cost of \$50,000, which is not currently funded in FY2020 or the FY2021 recommended budget. Estimated ongoing administrative costs of \$150,000 would be requested in the FY2022 budget process and would be partially offset by allocating up to 20% of the available grant funding.

Background and Previous Actions

Council last considered CDBG participation February 6, 2017. At that time, more than \$5.7 million in CDBG funds had been used for projects and programs in the city. At that time, the city's annual Entitlement was estimated at \$300,000. The Council declined. Instead electing to

remain a part of the Maricopa Urban County, as the anticipated cost of Entitlement outweighed the benefits at that time. Since then, the city has received \$303,200 in CDBG funds through the Urban County as a part of the FY2021 funding cycle.

The city has received correspondence from Maricopa County inviting us to renew our 3-year membership with the Urban County. A response is due to Maricopa County no later than June 15, 2020.

Staff Analysis

The City participates in the CDBG program through the Maricopa County Urban County Program. The City has a 3-year cooperative agreement with Maricopa County which will expire on June 30, 2021. The City may continue to participate in the Maricopa County Urban County program or may choose to accept the U.S. Department of Housing and Urban Development (HUD) invitation to become an entitlement community. The City must notify Maricopa County of its decision in June 2020. Staff will request Council direction to either accept CDBG entitlement status or remain with the Urban County program.

Funded activities **must** meet one of the following national objectives for the program:

- benefit low- and moderate-income persons,
- prevention or elimination of slums or blight,
- or address community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community for which other funding is not available.

CDBG funds may be used for eligible activities which include, but are not limited to:

- Acquisition of real property
- Relocation and demolition
- Rehabilitation of residential and non-residential structures
- Construction of public facilities and improvements, such as water and sewer facilities, streets, neighborhood centers, and the conversion of school buildings for eligible purposes (However, acquisition, construction, or reconstruction of buildings for the general conduct of government is not allowed)
- Public services, within certain limits (Capped at 15% of the grant award) e.g. the county uses all of its funds toward homeless issues; Phoenix does neighborhood stabilization, senior and youth services.
- Activities relating to energy conservation and renewable energy resources
- Provision of assistance to profit-motivated businesses to carry out economic development and job creation/retention activities

And, at least 70 % of CDBG funds must be used for activities that benefit low- and moderate-income persons.

No more than 20% can be used for administration (\$84,000 in FY2021 example)

	Advantages	Disadvantages
Urban County	<ul style="list-style-type: none"> • The County does most of the work. • Can be managed by current staff. • Projects not bound as much by the caps (because we are part of a bigger pot of spending). 	<ul style="list-style-type: none"> • The City is not guaranteed funding each year. • Project funding is bound by CDAC priorities. • The City cannot use funds for administrative costs.
Entitlement	<ul style="list-style-type: none"> • Guaranteed annual funding based on federal budget. • 20% can be used for administrative costs. • Flexibility in the types of projects. • Opens door to Section 108 Loan program. 	<ul style="list-style-type: none"> • Intensive start-up effort. • Ultimately may need dedicated staff. <ul style="list-style-type: none"> ○ Administrative cap will not cover annual costs for FTE, general fund subsidy may be needed

Attachments

None