



City Council Report

Date: September 27, 2018

To: City Council

Through: Natalie Lewis, Deputy City Manager
Ruth Giese, Community Services Director

From: Elizabeth Morales, Housing and Community Development Director

Subject: Housing and Community Development (H&CD) Unallocated CDBG Funding

Purpose and Recommendation

The purpose of this report is to provide the status of unspent Community Development Block Grant (CDBG) funding and request direction from Council to conduct a special funding round for distribution of the funds to and for shovel-ready projects that can expend allocated funding by or before June 30, 2019.

Background

Every year, Housing and Community Development (H&CD) has unspent funding from the prior year U.S. Department of Housing and Urban Development (HUD) federal funding contracts or funds collected from program-related income. The City is required by HUD to expend funds in a timely manner, failure to do this could result in reduction in funding by the federal government. Every year, the City must meet the 1.5 ratio of expended funds to overall balance of funds. The consequences of not meeting the annual 1.5 ratio is a decrease in future funding allocations. Therefore, it is vital that unallocated funds are committed and expended timely to ensure future funding is not affected.

Discussion

The current amount of unspent CDBG funding from Fiscal Years 2015/2016, 2016/2017 and 2017/2018 is significant enough, approximately \$700,000, to recommend that Council provide direction on how the funds should be reinvested.

Staff recommendation is to offer a special round of project funding that is limited to the CDBG-eligible activity categories of Public Facilities and Improvements, Commercial Rehabilitation, Accessibility and Economic Development activities which allows for funding to be spent on projects such as public buildings improvements or acquisition,

accessibility projects, job training programs and infrastructure improvements. We will be asking for submittal of immediate or shovel-ready projects that can expend funds no later than June 30, 2019. The eligibility criteria and timeline can be found in Attachment A.

If this request is approved by Council, H&CD will proceed by issuing a Notice of Funding Availability (NOFA) to interested parties announcing this special funding round. The NOFA will be available for download on the H&CD web page. As required by our Citizen Participation Plan, Housing and Community Development will also hold two (2) application training workshops/public hearings to provide guidance on completing an application for funding consideration. Staff anticipate returning to Council in November with funding recommendations.

Alternatives

1. Conduct a special funding round and return to Council with recommended projects to receive funding
2. Roll over funds to the 2019/2020 funding competition. Note: this is not recommended by staff because delaying expenditure of these funds could impact the 1.5% ratio required by HUD.

Fiscal Impact

The CDBG program is fully funded by HUD. There are no City General Funds are included in this report. Failure to expend funds timely could result in reduction in funding by the federal government.

Coordinated With

If Council directs staff to hold a special funding round, Staff will present funding recommendations to the Housing and Community Development Advisory Board for their input prior to returning to Council.

Attachment A:
2018 City of Mesa CDBG Supplemental Notice of Funding Availability (NOFA)

Criteria:

This NOFA is applicable to nonprofit organizations, units of local government, and City of Mesa Departments for the funding of Community Development Block Grant (CDBG) activities that are limited to the following categories:

- Public Facilities and Improvements
- Commercial Rehabilitation
- Acquisition
- Economic Development
- Accessibility

Under this NOFA, economic development activities are limited to the following activities:

- Job Creation and Retention Technical Assistance;
- Commercial Lending; and
- Creation of business incubator

Minimum grantee qualifications for **nonprofit organizations** wishing to apply for economic development activities are as follows: **(this section is not applicable to City of Mesa economic development or commercial rehabilitation funding requests):**

- Must be an IRS 501(c)3 or (501(c)4 Nonprofit Organization in good standing; or a for-profit entity that is currently engaged in job creation activities;
- Demonstrated experience with the management of funding and/or programs funded in whole or in part by any of the following federal agencies: U.S. Treasury, U.S. Small Business Administration, U.S. Department of Housing and Urban Development; U.S. Department of Health and Human Services; or U.S. Department of Agriculture
- Be a U.S. Treasury Community Development Financial Institution with full time staff engaged in the practice of small business development, economic development lending, technical assistance, commercial real estate lending or a Community Housing Development Organization (CHDO); or
- Be a nonprofit organization with full time, professional staff certified in commercial real estate development, development finance or economic development; and
- Be able to provide at least three years of tax returns and audited financial statements

Nonprofit applicants must also submit a current written strategic or business plan for the whole organization that covers at least 24 months which includes the organization's entire current fiscal year and includes the following: mission statement, evidence of an environmental scan for similar/comparable services, stakeholder participation (staff, board, etc.), strategic goals and measurable objectives, and implementation.

Evaluation and Selection Process

- All projects must provide validated timeline that funds can be expended by June 30, 2019
 - Validation by architects /engineering or approved plans by the City
- Projects that can expend funds by March 30th will be given greater funding consideration
- Project review will be conducted internally with representation by Housing and Community Development Advisory Board will be included in the project review
- Funding recommendations will be provided to full Council

Timeline:

- 2018 NOFA Availability Date: September 30, 2018
- 2018 Application Due: November 1, 2018 at 5:00 p.m., MST
- Award Announcement: December 2018

The 2018 CDBG NOFA will be available for download from the Housing and Community Development web page at <http://www.mesaaz.gov/residents/housing-community-development> on September 30, 2018. The application deadline is November 1, 2018 at 5:00 PM, MST.

Public Meeting #1 will be held on October 15, 2018, 4:00 PM at Save the Family Conference Center, 129 E University Dr., Mesa, AZ.

Public Meeting #2 will be held on October 22, 2018, 6:00 PM at Save the Family Conference Center, 129 E University Dr. Mesa, AZ.