

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 4, 2008

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO # 70 : USES OF COMMUNITY
DEVELOPMENT BLOCK GRANT (CDBG) FUNDS

This budget memorandum responds to the following inquiry from Councilman Krupicka:

"What are the proposed uses of CDBG funds and what other uses are eligible for these funds?"

Proposed FY 2009 CDBG Program

The proposed uses for federal Community Development Block Grant (CDBG) funds in FY 2009 are outlined in the attached CDBG funding table, taken from the Draft Action Plan for Housing and Community Development that will be docketed for the City Council Public Hearing on April 12, 2008. The City's CDBG allocation for FY 2009 is \$1,233,389. These funds will be augmented with a projected \$667,267 in carryover monies and an estimated \$325,000 in program income, for a total projected budget of \$2,225,656.

It should be noted that \$450,365 (37% of the new grant funds and 20% of the total funding) is devoted to personnel costs (reflecting the equivalent of 5 FTEs, but involving portions of 13 staff positions).¹ The remaining funds of \$1,775,291 (grant, carryover, and program income) are used for program operations.

The programs the City proposes to fund with federal CDBG Grant funds are: Program Administration; Submissions or Applications for Federal Programs; Fair Housing Testing Program; Home Rehabilitation Loan Program; Homeownership Assistance Program; Rental Accessibility Modification Program; Eviction Assistance and Furniture Storage; Transitional Assistance Program; and Winter Shelter.

¹ Although administrative costs are capped at 20% of grant plus program income, the cap does not include costs which can be directly attributed to the administration of a specific activity, such as the Home Rehabilitation Program or the Homeownership Assistance Program.

Eligible Uses of CDBG Monies

In order to receive CDBG funding, an activity must meet both eligibility and national objective requirements. CDBG-eligible activities are listed below, by category. In addition, each CDBG-funded activity must address one of the following national objectives: benefit to low- and moderate-income persons, prevention or elimination of slums or blight, or 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-eligible activities:

Activities Related to Housing

- Housing services in connection with Home Investment Partnerships (HOME) Program activities;
- Homeownership assistance (such as downpayment assistance and interest subsidies);
- Rehabilitation to buildings which are residential, low-income rental or homeowner housing.
 - Acquisition for rehabilitation and rehabilitation for residential purposes;
 - Labor, materials, etc. for rehabilitation of properties;
 - Loans for refinancing existing secured indebtedness;
 - Energy improvements;
 - Water efficiency improvements;
 - Connection to water and sewer lines;
 - Some homeowner warranty, hazard and flood insurance premiums;
 - Testing for and abatement of lead-based paint;
 - Costs of acquiring tools to be lent for rehabilitation;
 - Rehabilitation services;
 - Assistance for the rehabilitation of housing under Section 17 of the United States Housing Act of 1937; and
 - Removal of material and architectural barriers that restrict accessibility.
- Lead-based paint testing and abatement as a stand alone program or included as rehabilitation as noted above;
- Activities that support new housing construction such as acquisition, clearance, site improvements, and street improvements.

Other Real Property Activities:

- Rehabilitation of publicly- or privately-owned commercial or industrial buildings;
- Code enforcement;
- Historic preservation;
- Renovation of closed buildings;
- Privately-owned utilities.

Public Facilities:

- Acquisition, construction, reconstruction, rehabilitation, or installation of public improvements or public facilities.
- “Public improvements” includes, but is not limited to, streets, sidewalks, water and sewer lines, and parks.
- “Public facilities” includes, but is not limited to, neighborhood/community facilities and facilities for persons with special needs (e.g. homeless shelters, group homes, and halfway houses).

Activities Related to Economic Development:

- Microenterprise assistance;
- Commercial Rehabilitation; and
- Special economic development activities.

Other Types of Activities:

- Relocation assistance;
- Technical assistance to public or nonprofit entities to increase the capacity of such entities to carry out eligible neighborhood revitalization or economic development activities; and
- Assistance to institutions of higher education with the capacity to carry out other eligible activities.

Activities Related to Public Services (capped at 15% of grant plus prior year program income):

- Job training and employment services;
- Health care and substance abuse services;
- Child care;
- Crime prevention; and
- Fair Housing counseling.

Planning and Administration (Capped at 20% of grant plus current year program income):

- Comprehensive plans;
- Community development plans (including the Consolidated Plan);
- Functional plans (for housing; land use and urban environmental design; economic development; open space and recreation; energy use and conservation; floodplain and wetlands management; transportation; utilities; historic preservation; etc.);
- Other plans and studies (e.g., small area and neighborhood plans; capital improvements program plans; individual project plans; general environmental; urban environmental design; historic preservation studies; etc.); and
- Policy planning, management, and capacity building activities.
- Program administration activities may include:
 - General management, oversight and coordination;
 - Public information;

- Fair Housing activities;
- Indirect costs;
- Submission of applications for Federal programs; and
- Costs to pursue Section 17 of the United States Housing Act of 1937.

CDBG-ineligible activities:

The general rule is that any activity not specifically authorized under the CDBG regulations and statute is ineligible to be assisted with CDBG funds.

In addition, the regulations stipulate that the following activities may *not* be assisted with CDBG funds:

- Buildings for the general conduct of government are ineligible.
- General government expenses are ineligible.
- Financing for political activities or to engage in other partisan political activities are ineligible.
- Operating and maintenance expenses (of public facilities, improvements, and services) are ineligible. Specific exceptions to this general rule are operating and maintenance expenses associated with public service activities, interim assistance, and office space for program staff employed in carrying out the CDBG program.
- New housing construction except under certain conditions or when carried out by a CBDO.
- Income payments made to an individual or family for items such as food, clothing, housing, or utilities are ineligible. One time grants, emergency type grants, or loans for such purposes may be eligible under the category of Public Services.

TABLE B

Community Development Block Grant (CDBG) 34th Year Proposed Budget; July 1, 2008 - June 30, 2009

PROGRAM	34th Year Grant	Carryover Funds	Anticipated Unbudgeted Program Income*	Total Funds Available	Percent of Budget
CDBG Program Administration	\$175,749	\$12,875		\$188,624	8.5%
Submissions & Applications for Federal Program/Public Information	\$24,468			\$24,468	1.1%
Fair Housing Testing	\$55,983			\$55,983	2.5%
Homeownership Assistance Program**	\$470,189	\$151,022	\$125,000	\$746,211	33.5%
Home Rehabilitation Loan Program**	\$385,000	\$388,370	\$200,000	\$973,370	43.7%
Rental Accessibility Modification Program**		\$115,000		\$115,000	5.2%
Eviction Assistance & Furniture Storage**	\$50,000			\$50,000	2.3%
Transitional Assistance Program**	\$52,000			\$52,000	2.3%
Winter Shelter**	\$20,000			\$20,000	0.9%
TOTALS	\$1,233,389	\$667,267	\$325,000	\$2,225,656	100.0%

* These monies are unscheduled and cannot be predicted with certainty. They are not included in City's budget until they are received.

** These programs benefit low- and moderate-income persons. Funds for these programs constitute 100% of the non-administrative program budget. General administrative costs are presumed to benefit low- and moderate-income persons in the same proportion.