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## Regular City Council Meeting

Meeting Date: 04/25/2016

TITLE: Public Hearing &amp; Action on Annual Action Plan and Budget Allocations

PRESENTED BY: Candi Millar, Planning &amp; Community Services Department Director

BY:

Department: Planning &amp; Community Services

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**PROBLEM/ISSUE STATEMENT**

The City Council is scheduled to hold a public hearing on the FY2016-2017 Annual Action Plan and the allocation of Community Development Block Grant (CDBG) and HOME Investment Partnerships (HOME) program funding. The public hearing is a mandatory condition to receive U.S. Department of Housing and Urban Development (HUD) entitlement funding. City Council action is needed to approve the Annual Action Plan and budget recommendations in preparation for HUD's submission deadline on May 13 (see Attachment A). A preliminary informational presentation was made during the April 18 City Council Work Session.

**ALTERNATIVES ANALYZED**

City Council may:

- 1) Hold a public hearing and approve the allocation of CDBG and HOME funding and the FY2016-2017 Action Plan as recommended by Staff and the Community Development Board.
- 2) Hold a public hearing and approve the allocation of CDBG and HOME funding and the FY2016-2017 Action Plan based on alternative funding strategies as determined by the City Council (Please refer to the Funding Allocation Requirements section of this Council memo).
- 3) Not hold a public hearing and do not approve allocations of CDBG and HOME funding and the FY2016-2017 Action Plan and return funding to HUD.

**FINANCIAL IMPACT**

HUD has awarded \$581,942 in new CDBG and \$294,209 in HOME funding to the City of Billings for use in affordable housing and other projects benefiting low income residents. Additional CDBG and HOME funding is anticipated through loan repayments in programs such as First Time Home Buyer and Housing Rehabilitation. The Corporation for National and Community Service has awarded the City of Billings approximately \$500,000 in federal funds to support the Billings Metro VISTA Project contingent on the City's CDBG allocation supporting the program.

Federal revenues allocated for the CDBG and HOME programs are provided through HUD (Attachment B). Staff and Community Development Board recommendations are attached (see Attachment C) and they comply with funding limitations. Any program income received will be allocated on a close / shovel-ready basis in previously approved programs, such as First Time Home Buyer, Housing Rehabilitation, Foreclosure Acquisition / Rehabilitation, Manufactured Home Repair, Affordable Housing Development, etc.

**Priority-Based Budgeting:** Recommendations reflect the results of the City's 2012 priority budgeting process by allocating funding to Tier One programs; First Time Homebuyer and home repair programs. Tier Two programs recommended for funding include the Foreclosure Acquisition / Rehabilitation and the Billings Metro VISTA Project.

**BACKGROUND****Introduction**

The five-year Consolidated Plan for FY2015-2019, approved by City Council in April 2015, is required for participation by the City of Billings in HUD programs; CDBG and HOME. The purpose of the Consolidated Plan is to identify the housing and community development needs of low-income households in Billings and develop

strategies for addressing those needs in a comprehensive, coordinated manner utilizing available federal and non-federal resources. The Plan addresses current housing needs and the priorities identified in the Plan's Housing Needs Assessment, Market Analysis and the 2013 Analysis of Impediments to Fair Housing Choice, as required by HUD. The assessment and analysis documents can be viewed online at [www.ci.billings.mt.us/CDreports](http://www.ci.billings.mt.us/CDreports).

The City is also required to prepare and submit Annual Action Plans in alignment with priority needs identified in the five-year Consolidated Plan. The Community Development Board has completed the public input process and funding allocation recommendations for the FY2016-2017 Annual Action Plan.

### **Procedural History**

The City of Billings has been a recipient of CDBG funds since the mid-1970s and HOME funds since the early 1990s. These funds have been provided and monitored by the federal government and must be primarily targeted in Billings to address community affordable housing and poverty-impact needs.

To allocate CDBG and HOME resources, the Community Development Division and Board facilitated an extensive process to gather public input on the use of federal funds. Applications were available at the beginning of December and due at the end of January. Applications were then forwarded to the Community Development Board and recommendations were prepared for City Council consideration. Neighborhood Task Force and community input was solicited in February and March on proposed projects (see Attachment D). The Community Development Board prepared recommendations for the use of CDBG and HOME funds on April 5, during the Board's routine monthly meeting.

The City Council public hearing is required by HUD and is part of a 30-day minimum public comment period beginning March 25 and extending to April 25. The City Council is also scheduled to act on the CDBG and HOME programs during the April 25 meeting. The Annual Action Plan will then be submitted by HUD's May 13 deadline for review and, pending HUD approval, the program year will begin July 1.

### **Funding Allocation Requirements**

Allocation recommendations conform to pre-determined spending requirements on several categories including: CDBG and HOME administration caps (maximum of 20% and 10% of new funding respectively); public service caps (up to 15% of new CDBG funding); and Community Housing Development Organizations (at least 15% of new HOME funding). Changes made out of compliance with federal spending requirements would place the City's entitlement status for federal funds at risk.

The allocation of funding is restricted by eligibility requirements for CDBG and HOME and must meet pressing citywide community needs as identified in the Consolidated Plan; affordable housing, housing choice, and poverty-impact. HUD policy prohibits the use of federal funds to supplant local government funds on projects communities typically underwrite, regardless of whether federal grant dollars are available.

### **Funding Recommendation History**

The City's CDBG and HOME funding allocations changed significantly in 2008 when the City Council asked the Community Development Board to reassess decision-making processes for repetitive grant requests. At that time, the City was funding 36 projects for FY2008-2009; 26 of which were grants to nonprofit organizations.

Council members noted that federal funds should be utilized as seed money to get organizations to seek other funding sources and repetitive grant awards impeded incentive to become self-sustaining. Council instructed staff to perform research on the City's grants to nonprofits to determine the degree of repetition in grant awards.

In 2009, Council noted appreciation for the Community Development Board's efforts to decrease the number of grants issued and allocate larger funding amounts to fewer organizations, while implementing three-year awards. A total of five public service grant awards were issued to nonprofit organizations. Two additional organizations received grant awards to carry out home repair programs.

In 2012, HUD's funding allocations plummeted to the lowest levels in history. The Community Development Board asked City staff to expand research previously conducted to include total monetary value of grants issued versus loans / liens. From 1994 to 2012, the Community Development Division issued over \$6.6 million in grants, over \$9 million in loans and placed liens of over \$2 million on affordable housing projects.

	<u><b>Grants</b></u>	<u><b>Amounts</b></u>	<u><b>Total</b></u>
Subrecipients (317 activities)		\$3,267,340	
Infrastructure		\$708,014	

Parks	\$866,713	\$6,636,565
Special Assessment Grants	\$493,295	
Home Repair Programs	\$1,130,494	
Affordable Housing	\$170,709	
<u>Loans</u>	<u>Amounts</u>	<u>Total</u>
First Time Homebuyer	\$5,562,790	
Home Repair Programs	\$3,261,694	\$9,320,115
Affordable Housing	\$495,631	
<u>Liens</u>	<u>Amounts</u>	<u>Total</u>
Affordable Housing	\$1,854,677	\$2,172,705
Rental Rehabilitation	\$318,028	

That year, nine nonprofit agencies applied for grant funds and they were polled regarding the impact of not receiving funds. All of the organizations stated their agencies would remain open, but they may reduce the number of clients they could serve.

As a result, the Board made budget recommendations reflecting fiscal responsibility and sustainability, while prioritizing housing programs as per HUD requirements. The likelihood of continuing housing activities would substantially diminish if the City continued to fund grant programs not generating program income. The Board evaluated the long-term sustainability of operating loan programs rather than issuing grants. Four City programs were eliminated and substantial reductions were made in the three remaining home buyer / repair programs. Grants were not issued to nonprofit organizations for the first time since the 1980s.

In 2015, staff was asked to create a document illustrating the history of changes from grant to loan programs (see Attachment E). From 1994 to 2015, over \$2.7 million in grants has been awarded to 40+ nonprofit organizations. Some organizations were only funded once and many had been funded repetitively; up to 24 awards. Total grant awards by organization ranged from \$2,000 to \$329,628.

#### **FY2016-2017 Funding Recommendations**

CDBG funding recommendations include the following:

- Administration set at the maximum cap; \$116,388.
- Housing Rehabilitation program support totaling \$175,000.
- Foreclosure Acquisition / Rehabilitation support totaling \$200,000.
- VISTA program support set at \$50,000, which will leverage approximately \$500,000 in grant funds from the Corporation for National and Community Service.
- Remaining CDBG funds to be allocated to the First Time Home Buyer program; \$40,554.

HOME funding recommendations include the following:

- Administration set at the maximum cap; \$29,421.
- Allocation of 15% of new HOME program funding set aside for Community Housing Development Organizations - as per federal regulation; \$44,131.
- Remaining HOME funds to be allocated to the First Time Homebuyer Loan Program; \$220,657.

**Affordable Housing Project:** The Community Development Board also recommends a total of \$175,000 in HOME funds be awarded to NeighborWorks Montana for the development of a twin home in Riverfront Pointe. Please refer to Attachment F; a detailed staff memo identifying project funding sources, procedural history, location, beneficiaries, deal structure, organizational strengths, financial plan and relativity to Consolidated Plan key findings and priorities. If funding is approved, a Development Agreement will be submitted to City Council for approval prior to June 2016.

**Program Income:** Additional program income received will be allocated on a close / shovel-ready basis in previously approved programs. Program income must be allocated, committed and expended prior to drawing CDBG and HOME entitlement funds as per federal requirement.

**Public Comment:** Comments of the speakers at the public hearings may relate to funding amounts awarded, activities prioritized for funding with lower federal revenue allocations, and general comments regarding the Annual Action Plan for FY2016-2017.

## STAKEHOLDERS

Stakeholders for CDBG and HOME programs include:

1. **Program Recipients** - The City serves low income households through a variety of affordable housing programs such as home repair, home buyer, etc. Full descriptions of available programs can be found online at [www.ci.billings.mt.us/comdev](http://www.ci.billings.mt.us/comdev).
2. **Neighborhood Task Forces** - Task forces are asked to prioritize housing and neighborhood applications (see Attachment D) based on their perception of community need. Funding recommendations are in alignment with task force priorities including emphasis on housing repair and home buyer programs.
3. **The Community Development Board** - As an advisory body to the City Council, the Board provides detailed oversight to both the CDBG and HOME programs throughout the year. The Board also facilitates an extensive public input process to prepare recommendations for the City Council consideration. Six of nine total Community Development Board members are representatives of low-income neighborhoods either by residence or task force delegation, ensuring low-income citizen involvement of planning and allocation processes.
4. **Non-Profit Organizations** - Community organizations serving those experiencing poverty are supported by the Billings Metro VISTA Project. VISTA members build capacity in order to complete assessments, expand or create new services to meet data-verified needs, build volunteer management programs and to generate cash and in-kind resources.

## CONSISTENCY WITH ADOPTED POLICIES OR PLANS

**Consolidated Plan:** Projects proposed are consistent with the goals and priorities of the FY2015-2019 Consolidated Plan for the use of CDBG & HOME resources in Billings. The following strategies have been approved by the City Council in the Consolidated Plan to address Billings' housing and community development needs:

**Strategy A.** Preserve existing affordable housing supply, particularly in older neighborhoods, to support the stability of the current affordable housing stock.

**Strategy B.** Create affordable housing opportunities to further improve access to and quality of the affordable housing stock.

**Strategy C.** Expand housing choice options for existing and potential new residents to foster stable, socio-economically diverse neighborhoods citywide.

**Strategy D.** Support housing and community development specific to lower income and special needs households through poverty-impact initiatives.

Additional information regarding each strategy is located in the drafted FY2016-2017 Annual Action Plan; Attachment A. The Consolidated Plan, including the Housing Needs Assessment and Market Analysis, Analysis of Impediments to Fair Housing Choice, and the drafted FY2016-2017 Action Plan can be found online: [www.ci.billings.mt.us/CDreports](http://www.ci.billings.mt.us/CDreports).

**Welcome Home Billings:** The City's ten-year plan to impact homelessness was adopted by the City Council in October 2009. Allocations supporting the Billings Metro VISTA Project as the City's anti-poverty strategy meet CDBG regulations and provide an avenue for human resources to build the capacity of non-profit organizations serving those experiencing poverty. For a comprehensive overview of VISTA projects published in the Billings Gazette, please see Attachment G.

**City Council Strategic Plan:** Projects align with the Council's Strategic Plan in the following strategies and objectives:

- **Comprehensive, Orderly Growth:** Develop, preserve and revitalize residential neighborhoods that are safe, attractive and provide diverse, affordable housing.
  - Dedicate resources to rehabilitate substandard housing via the provision of loan financing to lower income households in order to preserve and revitalize neighborhoods city-wide.
  - Dedicate resources to develop new affordable housing in all neighborhoods to promote inclusion, diversity, equal opportunity and access.
  - Dedicate resources to acquire and rehabilitate vacant and/or foreclosed properties in order to promote infill, stabilize neighborhoods, and prevent decline.
- **Sustainable Economic Development:** Provide a safe, healthy and attractive place to live and work; offer quality housing choices, accessible amenities and an environment that provides a desirable quality of life.

- Dedicate resources to support homeownership and home repair opportunities through loan financing to low income households.
- Support initiatives to alleviate poverty and promote economic opportunity through Welcome Home Billings, the city's ten-year plan to impact homelessness and the AmeriCorps Volunteers in Service to America (VISTA) program.
- **Involved, United Community:** Expand citizen participation in boards, commissions and other volunteer capacities to improve public understanding of and involvement in government functions.
  - Provide volunteer opportunities through the AmeriCorps VISTA and the Billings Metro VISTA Project.

## SUMMARY

City staff and the Community Development Board have made recommendations for CDBG and HOME budget allocations and the FY2016-2017 Annual Action Plan is ready for Council adoption. The City Council is asked to consider public input received and make a final decision on the FY2016-2017 Annual Action Plan and accompanying budget allocations.

## RECOMMENDATION

City staff and the Community Development Board recommend that the City Council conduct a public hearing and approve the FY2016-2017 Annual Action Plan and funding allocations.

APPROVED BY CITY ADMINISTRATOR

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## Attachments

[A - Drafted FY2016-2017 Annual Action Plan](#)

[B - FY2016-2017 Revenue](#)

[C - Recommendations](#)

[D - Task Force Priorities](#)

[E - Allocations & Funding History](#)

[F - Staff Memo - NeighborWorks Riverfront Pointe](#)

[G - Gazette Articles - Billings Metro VISTA Project](#)

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