CITY OF RAPID CITY

RAPID CITY, SOUTH DAKOTA 57701-2724

GROWTH MANAGEMENT

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MEMORANDUM

TO: Legal & Finance Committee

FROM: Barbara Garcia, Community Development Specialist

DATE: November 15, 2006

RE: Subsidy Committee Recommendations for FY 2007 Annual Action Plan CDBG Grant Allocations

Staff is seeking preliminary approval of the Fiscal Year 2007 Community Development Block Grant recommended allocations.

A spreadsheet showing the $1,417,230 in requests for Community Development Block Grant funding and the Subsidy Committee's recommendation for allocations is attached for your review.

Staff notes that federal regulations allow the City to use up to 15% of their entitlement plus the program income from the most recently completed program year to compute the cap for public service activities ($77,250). The City may approve less than this amount or may choose not to fund public service activities. Administration costs for the CDBG program may not exceed the 20% cap of the entitlement grant plus program income from the most recently completed program year ($103,000). Staff is using a 1.5% reduction of the FY 2006 allocation of funds to estimate the FY 2007 HUD CDBG allocation.

Funds estimated to be available for FY 2007 allocations is:

Estimated FY 2007 Entitlement (estimated 1.5% reduction)	$ 515,000
Estimated Program Income from landslide loans and lease property	$ 4,900
Estimated Revolving Loan Income from City Rehab program	$ 3,100
Estimated Total Funds Available =	$ 515,000
Less Allowed Program Administration funds(Max 20%)	$ 103,000
Estimated funds remaining for Sub-grantee allocations	$ 412,000
Estimated funds available for Public Services (Max 15%)	$77,205
Estimated funds available for Housing, Economic Development, & Public Facilities and Improvements	$334,795

Funding recommendations made by the Subsidy Committee were based upon Department of Housing and Urban Development eligibility requirements, the benefit to low-and-moderate income persons in the community, project feasibility and cost effectiveness, compliance with the needs and priorities of the community as identified in the Rapid City Five Year Consolidated Plan, and the applicant's demonstrated ability to complete the project in the program year.

The activities to be funded will be included in the FY 2007 Annual Action Plan. After preliminary Council approval of the proposed activities, a draft of the Annual Action Plan will be put on public display for a 30 day comment period. A Public Hearing to gather community comments will also be held during the 30 day comment period. Following that, all comments received will be provided to the Council and final approval by the City Council of the Annual Action Plan will be required.

Please note: The City will not know the actual amount of CGBG funding available until sometime after the first of the year, and likely not before April 1, 2007. Congress has not finalized the FY 2007 budget for the CDBG program, and since it is an election year and a lame duck Congress, it is unlikely that a budget will be approved before Congress reconvenes after the first of the year. If the allocated amount is greater or less than the amount estimated ($515,000), the Subsidy Committee will meet again and will have to make the appropriate adjustments, up or down, and the new recommendations will be sent back to City Council and out for public comment. HUD requires us to send in the estimated FY 2007 Annual Action Plan by February 15, 2007, and will allow us to amend the plan, following the above mentioned steps, upon notification of the actual Entitlement amount. Therefore, all sub-grantees will be notified that these allocations are subject to change.

Staff Recommendation: Preliminary approval of the Subsidy Committee's recommendations for CDBG funding allocations for FY 2007.