



CITY OF RAPID CITY

RAPID CITY, SOUTH DAKOTA 57701-2724

PLANNING DEPARTMENT

300 Sixth Street

LF022603-02

TO: Legal and Finance Committee

FROM: Trish Anderson

RE: Community Development Block Grant Allocations

DATE: February 20, 2003

Per the discussion at City Council on February 17th, below is a brief summary of Community Development Block Grant (CDBG) eligibility guidelines, the projects, and the Subsidy Committee's recommendations.

CDBG National Objective and Eligibility Guidelines

All projects which receive CDBG funds must benefit low and moderate income persons. Housing activities including rehabilitation, assistance to first time homebuyers, and new construction are eligible for funding if the beneficiaries are low and moderate income persons. Loans or grants to businesses to create jobs are also eligible activities if at least 51% of the jobs to be created are held by or made available to low and moderate income persons. In order to be considered low income, a family of four could not be earning more than \$39,450 a year.

As the sub-recipient of these funds from the U.S. Department of Housing and Urban Development, the City's responsibility for the funds is to make sure the funds are spent on activities which meet eligibility guidelines, that the funds are spent in a timely fashion, and that other requirements including Davis Bacon labor laws, environmental reviews, and financial and accounting rules are followed. If these responsibilities are not met, the City could be at risk of being required to return funds to the U.S. Department of Housing and Urban Development, or could face reduced funding levels in the future. Each of the twenty applications were first evaluated for the ability to meet the U.S. Department of Housing and Urban Development eligibility criteria, and then upon the need for a particular activity in the community. All of the activities are good projects designed to meet important community needs. Unfortunately, the limited funding available from the Federal Government makes prioritization necessary.

The following is a summary of the requests for project funding.

1. Teton Coalition – The Coalition works with low and moderate income families in assisting them with homeownership. They would like to use the CDBG funds for the purchase of two lots for these families. The Teton Coalition then works with the families in obtaining first mortgage financing. Participating families would have to provide income information to qualify for the program. Funding recommended is \$35,000.



EQUAL OPPORTUNITY EMPLOYER

2. Habitat for Humanity – The proposed program is similar to that of the Teton Coalition, with the exception that on the Habitat homes, there is considerable sweat equity. Habitat would use the funds to acquire lots and to build the necessary infrastructure for those lots. Potential homeowners must provide income information to demonstrate that they are low income. Habitat for Humanity has received CDBG funds in the past and has performed successfully. Funding recommended is \$35,000.
3. Western Resources for dis-Abled Independence – The agency requested funds to modify individual residences to make them handicap accessible. The City's owner occupied rehabilitation program also provides grants and loans to homeowners for this type of repair so the Subsidy Committee did not recommend funding this group.
4. Housing Rehabilitation Program – This is a City administered program which has been funded since around 1975. The funding is used for low interest loans and grants for low income homeowners typically for energy and heating related repairs. The funds generated by interest and loan payback are in turn used to make more loans and grants to qualified homeowners. Funding recommended is \$70,000.
5. Gandolf Group – The CDBG funds would be used to pay for on-site infrastructure in support of a 72 unit affordable rental project. The units would be occupied by persons earning 60 percent or less than the area median income. Affordability of the units would be guaranteed for a forty year time frame. The City has consistently identified a need for affordable rental housing. Gandolf Group is a for-profit development group. They have received a tax credit allocation from the South Dakota Housing Finance Development Agency. They are also requesting a Tax Increment Financing District from the City. Funding recommended is \$246,500.

Staff has been working with the Gandolf Group and the Department of Housing and Urban Development to determine an appropriate avenue for funneling the CDBG dollars into the project. CDBG rules on the financing of new construction of housing are fairly stringent. Staff has submitted information to Department of Housing and Urban Development and is awaiting a determination from the Denver office. The permanent financing as well as the construction financing is committed for this project; however, the discussion on the TIF financing is still in the initial stages.

6. Cornerstone Rescue Mission – Cornerstone is requesting funds to replace a broken air conditioning unit at the mission. Homeless individuals as a class are determined by Department of Housing and Urban Development to be low income and repairs to homeless shelters are considered to be an eligible public infrastructure activity.
- 7 & 8. Horace Mann Park Improvements and Steele Avenue Park Rushmore Little League Improvements - The Horace Mann improvements would include the eventual conversion of the swimming pool into a multi-purpose area and irrigation. The Steele Avenue improvements are for irrigation, landscaping, and parking lot expansion. Improvements to both parks would benefit the low income persons either residing in the Census Tract or participating in the Little League activity. The consensus of the Subsidy Committee was that the need for affordable homeownership and rental housing was considerable.

Black Hills Pony League – The project would serve youth from the entire community and not exclusively low and moderate income youth or youth from low and moderate income Census Tracts. Because the benefit to low and moderate income persons has not been established, the activity is ineligible for funding.

West River Foundation/Rapid City Economic Development Partnership Incubator Project – The group has requested \$400,000 over a two year period from the City's Block Grant allocation. The funds would be used to defray the estimated \$2.1 million in construction costs of a 30,000 square foot building in the Rushmore Industrial Park. The building would provide space for small businesses, and office space for the Economic Development Partnership, the West River Business Center, SCORE, the Genesis Equity Fund, and the Small Business Agency. The applicant projects that over a three year period, the small businesses housed in the business incubator will create approximately 122 jobs, 82 of which would be held or made available to low income persons. The Department of Housing and Urban Development eligibility requirement is that at least 51 percent of the jobs created be held or made available to low and moderate income persons.

The total project financing for this activity has not yet been committed. The group has received commitments for \$500,000 from the State CDBG program and \$500,000 from another Department of Housing and Urban Development program. Applications for grants for the rest of the financing are pending including one to the U.S. Economic Development Agency and this request for a City of Rapid City Block Grant. The Rapid City Economic Development Partnership is providing the land for the facility in the Industrial Park.

The Subsidy Committee discussed this project at length. Although economic development is an eligible Block Grant activity, it is difficult to use the funds for this purpose. This is because all potential employees for the jobs to be created will have to provide documentation of the total income in their households so that the City may demonstrate to the U.S. Department of Housing and Urban Development that these jobs were made available and/or held by low income persons. The Block Grant funds cannot be used for the construction of office space as there is no direct benefit to low income persons. If after intensive monitoring it is determined that the jobs created were not made available to or filled by low income persons, the City would have to pay the Block Grant funds back to the U.S. Department of Housing and Urban Development.

- 11–20 Public Service Activities. All of the requests for funding for the public service activities were for eligible Block Grant activities. The services to be provided benefit almost exclusively low and moderate income persons. The one agency which was not funded was an agency out of North Dakota proposing to conduct fair housing training in Rapid City. Many of the public service agencies funded have been receiving Block Grant funds for years. The City does not have to fund any public service activities, but if it does, no more than 15 percent of the \$614,000 grant can be spent. The total funding recommended for public service activities is \$92,100.

The public comment and display period for both the Consolidated Plan and the Annual Action Plan will be from March 21, 2003 – April 21, 2003. **All City Council members are invited to attend the public hearing which is scheduled for Monday, April 14, 2003 in the First Floor Community Room at 5:30 p.m.** Display ads advertising both the public comment period and the hearing will be published in both the Rapid City Journal and the Lakota Journal. Citizens may either attend the hearing or submit comments in writing, or both. Part of the Consolidated Plan will include a response to citizen inquiries. Staff would be happy to provide more in depth information about the Block Grant program, or any of the proposed activities.

Subsidy Committee Recommendations
Community Development Block Grant Requests
Fiscal Year 2003
February 19, 2003

<u>Applicant</u>	<u>Project Type</u>	<u>Funding FY 2002</u>	<u>Funds Requested</u>	<u>Funds Recommended</u>
Housing Activities				
1. Teton Coalition	Purchase of 2 lots for sale to low income families		\$66,000	\$35,000
2. Habitat for Humanity	Purchase of lots and installation necessary infrastructure	\$30,000	\$90,000	\$35,000
3. Western Resources for dis-Abled Independence	Modify residences to make them handicap accessible for disabled individuals		\$40,000	
4. Housing Rehab Program	Provide grants and loans for housing rehabilitation for low/mod families City administered program.	\$75,000	\$70,000	\$70,000
Public Infrastructure and Facilities				
5. Gandolf Group	Infrastructure grant to support construction of 72 low income rental units. TIF funds also requested		\$500,000	\$246,500
6. Cornerstone Mission	Replacement of air conditioning unit in dormitories	\$100,000	\$12,600	\$12,600
7. City of Rapid City - Parks Div.	Horace Mann Park Improvements including swimming pool conversion to multi-purpose area		\$150,000	
8. Rushmore Little League	Steele Street Park Improvements irrigation, landscaping, parking lot		\$70,000	
9. Black Hills Pony League	Horace Mann Field Improvements consession bldg., bleachers, irrigation, etc.		\$260,000	not eligible for CDBG funding

Economic Development		Funding FY 2002	Funds Requested	Funds Recommended	
10.	West River Foundation/ RC Economic Development Partnership	Construction of Business Incubator Rushmore Industrial Park (additional request for \$200,000 in FY 2004)	\$200,000		
Public Services					
11.	Youth & Family Services	Provide counseling to low income citizens	\$10,000	\$12,000	\$8,000
12.	Western SD Community Action	Fund Homeless Prevention Coordinator		\$26,000	\$12,000
13.	Big Brothers/Big Sisters	Mother Mentor Counseling Match teen moms with adult mentors	\$3,000	\$5,000	\$2,400
14.	Dakota Plains Legal Services (formerly BH Legal Services)	Provide legal services for low income persons	\$20,000	\$20,000	\$16,000
15.	Salvation Army	Provide first month & past due rent pay utility bills to either house homeless or prevent homelessness	\$30,000	\$50,000	\$30,000
16.	Senior Companions	Provide in-home assistance to senior citizens to delay/prevent nursing home placement.	\$2,500	\$2,500	\$2,500
17.	Working Against Violence	Provide counseling assistance to victims of domestic violence	\$7,000	\$8,000	\$7,000
18.	CASA	Provide legal advocacy for children	\$10,000	\$34,000	\$8,800
19.	Friendship House	Provide halfway house services for recovering drug addicts and alcoholics		\$12,750	\$5,400
20.	North Dakota Fair Housing	Facilitate workshops in Rapid City to promote fair housing		\$6,887	
Recommended Funding Public Service					\$92,100
Total Project Funding Recommended					\$491,200
TOTAL FUNDS REQUESTED			\$1,635,737		
TOTAL CDBG FUNDS AVAILABLE		\$ 614,000			
less 20% administration		\$ 122,800			
CDBG AVAILABLE FOR PROJECTS			\$491,200		