



CITY OF RAPID CITY

RAPID CITY, SOUTH DAKOTA 57701-2724

Community Development

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TO: Legal and Finance Committee

FROM: Trish Anderson
Community Development Department

RE: Reprogram of CDBG Funds

DATE: May 7, 2003

The City Subsidy Committee recommends that Community Development Block Grant funds in the amount of \$194,600 allocated to the Community Development Corporation be reprogrammed to allow the use of the funds for a purchase/rehabilitation housing program. Currently the use of the funds is designated only for a lot purchase program. The Community Development Corporation would like approval to use the funds for a purchase/rehabilitation program as well (see attached letter). All of the homes either constructed through the lot purchase program or rehabilitated will be sold to and occupied by low and moderate income persons. The reprogramming of funds requires an amendment to the City's Consolidated Plan.

The Community Development Corporation received \$245,000 in Fiscal Year 2002 Block Grant funds to purchase lots for affordable homes. To date, \$50,400 has been spent for that purpose and the remaining funds of \$194,600 had been allocated to purchase lots in Neff II Subdivision in Rapid Valley. Unfortunately, legal issues have delayed the final platting of that subdivision and the Community Development Corporation has been unable to purchase those lots. The reprogramming of funds will provide another option for the Community Development Corporation to create affordable housing in the community. It will also assist the Community Development Corporation in the timely drawdown of Block Grant funds.

The Community Development Corporation has also requested that 15 percent of the funds (\$29,190) be allocated for program delivery costs associated with managing both of the programs. Those costs will include compliance with the federally mandated lead base paint regulations, income verification and loan counseling, rehabilitation and construction supervision, and coordination of necessary inspections for the programs. Block Grant funds used for program delivery may only be used for those expenses associated with either the lot purchase or the purchase/rehabilitation program.

The Department of Housing and Urban Development regulations require public notification and require that the City abide by its adopted Citizen Participation Plan whenever a change is proposed in the Consolidated Plan. The 1998 Consolidated Plan which is still in effect did not identify purchase and rehabilitation of structures as an allocation priority. The new Five Year Consolidated Plan submitted to Department of



EQUAL OPPORTUNITY EMPLOYER

Housing and Urban Development this week identifies rehabilitation of existing structures for homeownership as a priority. The City of Rapid City Citizen Participation Plan amendment process requires public notification when a substantial change is made in allocation priorities. A substantial change is defined as a 25 percent change in the project if the project is funded at \$25,001 or more. A notice has been published in the Rapid City Journal. Citizens were advised of the 30 day comment period in which they may submit written comments. The advertisement also invited interested citizens to attend and comment at the May 19, 2003 City Council meeting.

Staff Recommendation: Approve the reprogramming of the \$194,600 Fiscal Year 2002 Community Development Block Grant funds allocated to the Community Development Corporation for use for the housing acquisition/rehabilitation program as well as the lot purchase program, and for the program delivery costs associated with both programs.