



CITY OF RAPID CITY

RAPID CITY, SOUTH DAKOTA 57701-2724

GROWTH MANAGEMENT

300 Sixth Street
Rapid City, SD 57701
(605) 394-4181

MEMORANDUM

LF071404-05

TO: Legal and Finance Committee

FROM: Barbara Garcia, Community Development Specialist

DATE: July 7, 2004

RE: **Request Additional Program Use of Community Development Block Grant Funds By the Rapid City Community Development Corporation**

Staff is seeking City Council approval of an additional program use for the Community Development Block Grant funds granted to the Rapid City Community Development Corporation.

The Rapid City Community Development Corporation (RCCDC) has had a difficult time over the past two years in finding affordable lots or existing homes for purchase and development for low-income home buyers. New lot prices now exceed thirty thousand dollars. RCCDC would like to use Community Development Block Grant funds to assist low-income homebuyers with their down payment and closing costs when lots are not available to purchase. This will allow for a more timely draw-down of funds, as required by HUD, and still achieve their goal of helping low-income persons achieve homeownership.

The Rapid City Community Development Corporation requests the use of funds for down payment and closing costs assistance. RCCDC would allow a maximum of \$3,000 for closing costs or a combined maximum of \$10,000 for down payment and closing costs for qualifying low-income buyers of properties located within the city limits of Rapid City. The funds are a 0% "soft second" loan for a maximum of 30 years.

Staff Recommendation: Approval of the additional use of Community Development Block Grant funds by Rapid City Community Development Corporation for down payment and/or closing costs assistance for low-to-moderate income homebuyers in compliance with Community Development Block Grant regulations.

RAPID CITY COMMUNITY DEVELOPMENT CORPORATION

111 St. Joseph St.
Rapid City, SD 57701

June 9, 2004

Barbara Garcia
Community Development Department
300 Sixth Street
Rapid City, SD 57701

Dear Barbara,

The Rapid City Community Development Corporation requests the reallocation of the Community Development Block Grant funds we have remaining, which totals \$102,418.00. \$64,118.00 of this total is grant funds from FY 2002 and \$38,300 is program income from loan repayment and funds received in 2003.

Originally the funds were allotted for the purchase of lots for construction of low-to-moderate single-family homes and acquisition rehabilitation of older homes. There is a shortage of affordable vacant lots within the city limits. We have inspected six homes for possible rehabilitation but the foundation work needed to restore structural integrity to the home would cost \$50,000 to \$60,000, which is not affordable and exceeds the funds we have available. Currently there are only 25 homes within the city limits under \$85,000. Due to the shortage of affordable vacant lots and homes that can be rehabilitated at a reasonable cost, we are requesting that the purpose for the use of funds be amended to allow the funds to be used for down payment and closing cost assistance for low- to- moderate income homebuyers.

If allowed to use the funds for down payment and closing costs, we would allow a maximum of \$3,000 for closing costs or a maximum of \$10,000 for down