



CITY OF RAPID CITY

RAPID CITY, SOUTH DAKOTA 57701-2724

COMMUNITY DEVELOPMENT DIVISION

300 Sixth Street
Rapid City, SD 57701

Barbara Garcia, Community Development Specialist

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Community Development Division

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MEMORANDUM

TO: Legal & Finance Committee
FROM: Barbara Garcia, Community Development Specialist
DATE: October 11, 2006
RE: Fannie Mae Grant of \$10,000 – Allocation of Funds

Rita Edwards, Fannie Mae Deputy Director for South Dakota, contacted the Community Development Division on Friday, September 29, 2006 to see if the City has any housing related projects that could use some additional funds. Staff assured her that we do, and at her request, provided Fannie Mae with some examples of existing housing-related projects that would benefit from additional funds, and the request letter from Mayor Shaw that was needed to apply for the funds. The request was for a \$10,000 grant to the City of Rapid City for housing related projects. The funds are unencumbered funds that Fannie Mae needs to have spent before the end of 2006.

The grant request was accepted and is being processed. We should receive the funds in the next couple of weeks. Ms. Edwards stated that the funds may be used for, but are not limited to, any of the projects mentioned in the request letter. Funds may be used for any project that addresses housing issues in some way.

The guidelines for use of the funds are:

- a) The funds may be used on only one project, or many;
- b) There are no income limitations;
- c) There are no location limitations;
- d) Funds may be used on single family homes, rentals, or transitional housing;
- e) Funds may be used for down payment or closing cost assistance;
- f) Funds may be used to purchase appliances for low income homebuyers;
- g) Funds may be used for materials, new construction, or rehabilitation costs;
- h) Funds may be used to provide training for non-profit staff or board members on affordable housing opportunities and financial models;
- i) Funds may be used for land acquisition;
- j) Funds may be to defray legal costs associated with land acquisition and setting up a community land trust;
- k) The funds need to be used by the end of the calendar year.



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Some options for determining which projects to fund include:

- a) advertise for and accept applications from the community;
- b) supplement one or more existing CDBG projects of Council's choice;
- c) allocate funds to one or more projects that applied for CDBG funds for 2006 but did not receive funds;
- d) allocate funds to any existing housing related project or
- e) use funds to set up a new fund under the City Community Development Division from which non-profits, volunteer groups or service organizations may draw funds for materials to accomplish housing related neighborhood revitalization, rehab or handicap accessibility projects that will benefit low income residents.

Staff has attached a listing of housing projects that received CDBG funds and are currently underway, housing projects that applied for, but were not funded with FY 2006 CDBG dollars, other projects in the community that address housing needs, and new projects that could address needed services, that could be set up quickly and utilize the funds within the next few months.

Staff recommendation is that Council should choose a project or several projects to receive the funds rather than solicit formal applications due to the low dollar amount available and the limited time frame in which the funds need to be spent. It is also suggested that although there are no income guidelines, the funds should be used to benefit low income people and leveraged to assist the greatest number possible for issues identified as a high priority in the City's Five-Year Consolidated Plan. It is staff's opinion that any one, or combination of the following activities would benefit the greatest number of people and/or address the most pressing housing issues:

- 1) Emergency Shelter assistance;
- 2) Assistance for transition to permanent housing from a shelter;
- 3) Homeless prevention assistance with rent/mortgage payments and deposits, and/or utility assistance;
- 4) Financial literacy and homebuyer education classes for low income people;
- 5) Neighborhood revitalization, clean-up and housing repair by community volunteer work groups, for low income households with emphasis on the elderly and disabled. Funds would be used to purchase of materials, such as lumber, paint, shingles, replacement parts, etc. A maximum materials cost per house could be set.

Attachment

Housing Projects currently receiving CDBG funds:

City of Rapid City Neighborhood Restoration Program – Rehabilitation of low income owner occupied homes within the corporate limits of Rapid City.

Current financial need: Rehab on homes and mobile homes within the 3 mile buffer zone of Rapid City; and rehab on homes for people who previously used CDBG funds. Average rehab varies between \$1,200 and \$7,000.

Cornerstone Rescue Mission – Acquire land and/or infrastructure costs for construction of a 24-unit transitional housing apartment building for homeless families with children.

Current financial need: Site preparation, infrastructure costs, construction costs, furnishings for apartments.

Rapid City Community Development Corporation – Down payment and closing cost assistance for low income homebuyers.

Current financial need: Funds for down payment and closing cost assistance. Currently provide maximum of \$5,000 per homebuyer.

Salvation Army – Homeless Prevention Program that provides rent, mortgage payment, deposits and utility payment assistance to low income people.

Current financial need: Funds for delinquent rent/mortgage and utility payments, and rent and utility deposits. Amount varies from \$100-\$550 per person.

West River Foundation – Acquire existing homes in need of rehabilitation, perform rehab on homes and sell them to low income homebuyers.

Current financial need: Funds for additional rehab, new appliances for home, landscaping costs. Currently have maximum of \$15,000 per home for rehab.

Housing Projects not funded in FY 2006:

Behavior Management Systems – Applied for rehabilitation funds to bring bathrooms up to handicap accessibility codes for 121 North Street Residential Facility.

Current financial need: Rehabilitation funds for bathrooms of residential apartments. Cost per bathroom estimated at \$5,000.

Black Hills Area Habitat for Humanity – Applied for funds to acquire land for construction of single family homes to be sold to low income families.

Current financial need: Funds to purchase building materials for homes. Materials costs per house average \$20,000-\$40,000, depending on size of house. Any amount received will contribute to completion of a home.



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Rapid City Weed and Seed Program – Applied for funds to provide exterior rehab and landscaping for homes in the Weed and Seed service area.

Current financial need: Funds to provide exterior rehab and landscaping for homes in North Rapid. Costs vary from \$500 to \$15,000.

Teton Coalition – Applied for funds for land acquisition for new construction of homes for low income households.

Current financial need: Funds for Homebuyer Education for American Dream Down Payment Initiative loan applicants. Education cost per person=\$20.

Funds for land acquisition, or down payment and closing cost assistance. Acquisition costs vary between \$10,000 and \$30,000. Down payment and closing cost assistance varies between \$2,500 and \$5,000.

Additional Housing Project Needs Identified:

Consumer Credit Counseling of the Black Hills

Current financial need: Financial Literacy education classes for low income residents. Financial literacy class scholarships @ \$50 each.

Consumer Credit Counseling of the Black Hills & Teton Coalition

Current financial need: Homebuyer education courses for low income residents of Rapid City. Homebuyer education class scholarships @ \$20 each.

Cornerstone Rescue Mission, Women & Children's Home, WAVI, Ohitika, and Stepping Stones

Current financial need: Funding for rental deposits to transition families out emergency or transitional shelters to their own apartment. Deposits equal 1 month's rent, which averages \$500-\$700. In most cases the family must match half of the cost; and/or

Emergency funding for motel rooms or other housing when the shelters are full – especially for women or families. Cost per night averages \$40-\$60.

Western Resources for dis-abled Independence

Current financial need: Funding for handicap accessible ramps (non-permanent) for use at rental properties. Cost averages about \$2,500 each.

Community Development Division

Current financial need: Funds to purchase materials for volunteer groups to use for housing repairs, painting, yard work, garbage/junk disposal, etc. for low income and elderly households to accomplish neighborhood revitalization and individual housing improvements for code or safety/health requirements.

Consultation assistance for development of a land trust.



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FannieMae

3900 Wisconsin Avenue, NW
Washington, DC 20016-2892

October 25, 2006

Ms. Barbara Garcia
Community Development Specialist
City of Rapid City
300 Sixth Street
Rapid City, SD 57701

CITY OF RAPID CITY

OCT 4 6 2006

COMMUNITY
DEVELOPMENT DEPT.

Dear Ms. Garcia:

After reviewing the contribution application submitted on behalf of your organization, Fannie Mae's Housing & Community Development Division (HCD) has awarded you a contribution of \$10,000.00 for fiscal 2006.

It is our understanding that the contribution will be used to provide down payment assistance, financial literacy courses and fund housing renovation.

The award check will be delivered to you upon our receipt of an executed copy of the American Dream Fund Award Contract that is enclosed. Additionally, within 30 days of your receipt of the award, you must submit to me a written and dated "tax letter". The letter should be submitted on your organization's letterhead and must state the award date, Fannie Mae's name as grantor, the amount of Fannie Mae's contribution and a statement that *no goods or services were received by Fannie Mae in exchange for the American Dream Fund grant.*

Congratulations on your award! Please feel free to contact me at (301) 204-8647 if you have any questions.

Sincerely,

John J Thompson
American Dream Fund
Housing & Community Development

Enclosure

cc: Rita Edwards, South Dakota Community Business Center

Housing & Community Development
2006 American Dream Fund Contribution Award Contract

My organization has successfully applied to Fannie Mae for a contribution, which will be used to provide down payment assistance, financial literacy courses and fund housing renovation.

As a condition of accepting this award on behalf of City of Rapid City, I certify to Fannie Mae that my organization is exempt from tax due to existing as a State and/or local government agency, having received such designation by the Internal Revenue Service and that such designation continues in effect. Furthermore, my organization acknowledges receiving notification of the contribution for \$10,000.00 from Fannie Mae and confirms that it provided no goods or services to Fannie Mae in consideration, in whole or in part, for the contribution.

My organization also agrees to use the award for the sole purpose(s) specified above.

Because Fannie Mae is a corporation established by a law of Congress, it is strictly prohibited from making contributions or expenditures in connection with federal, state or local elections, or in connection with any political convention or caucus. (See 11 C.F.R. §114.2(a)). Accordingly, we have included as a memo notation on the enclosed check the following: "**not for use in connection with any federal, state or local election or to support any lobbying activities.**"

As a further condition of accepting this award, my organization agrees that no portion of the award will be used in connection with (i) influencing legislation, (ii) participation in, or intervention in, any political campaign on behalf of (or in opposition to) any candidate for public office, (iii) any attempt to influence the general public, or segments thereof, with respect to elections, legislative matters, or referendums, (iv) any direct communication with a "covered executive branch official" (as defined in Section 162(e) of the Internal Revenue Code) in an attempt to influence the official actions or positions of such official, (v) "electioneering communications" as that term is defined in the Bipartisan Campaign Reform Act of 2002 or defined under similar laws of any state or locality, (vi) any other expense for which a deduction would be disallowed under Section 162(e) of the Internal Revenue Code, or (vii) any use that would create a lobbying registration or reporting requirement for Fannie Mae under the Lobbying Disclosure Act or in any state or locality.

Name (Printed): _____

Signature: _____

Title: _____

Organization Name: _____

Date: _____

Please return this form via Fax or mail within **two weeks** to:

John J Thompson
American Dream Fund
Fannie Mae
3900 Wisconsin Avenue, NW
Mailstop 11H-403
Washington, DC 20016-2899
301-280-0107 (fax)