



**MEMO**

**DATE:** Monday, July 25, 2011

**TO:** Mayor and City Councilmembers

**FROM:** David B. Vehaun, City Manager

**RE:** Consider approving revisions to the City of Rock Hill's Annual Action Plan for the Community Development Block Grant Program.

**Summary of Council Approved CDBG Funded Old Town Façade Improvement Projects**

In spring of 2009, City Council allocated \$80,000 in Community Development Block Grant (CDBG) funding to the Economic and Urban Development Department to complete residential and commercial façade improvements in the Old Town area. Per United States Housing and Urban Development Department (HUD) CDBG program regulations, City staff were required to break the City Council allocated \$80,000 down into separate projects for residential and commercial activities. This resulted in the project breakdown listed below.

- 2009/2010 East Town Façade Improvement Project for residential façade improvements: \$40,000 allocation
- 2009/2010 Oakland Avenue Façade Improvement Project for commercial façade improvements: \$20,000 allocation
- 2009/2010 Saluda Street Façade Improvement Project for commercial façade improvements: \$20,000

In September 2009, HUD approved the projects listed above as part of the City's Annual Action Plan and in October 2009, released CDBG funding for each. With this being a new effort in Old Town, Economic and Urban Development and Grant Division staff agreed that if one activity (i.e. residential) was more successful than the other activity (i.e. commercial), then staff would re-evaluate if approval from HUD was needed to move money from the less successful activity (i.e. commercial) to the more successful activity (i.e. residential). CDBG regulations give City staff this flexibility.

Additionally in spring of 2010, City Council allocated \$20,000 in Community Development Block Grant (CDBG) funding to the EUD Department to complete residential and commercial façade improvements in the Old Town area. Per HUD regulations, this money was also required to be designated separately for residential and commercial activities. This resulted in the project breakdown listed below.

- 2010/2011 Old Town Residential Façade Improvement Project for residential façade improvements: \$10,000 allocation
- 2010/2011 Old Town Commercial Improvement Project for commercial façade improvements: \$10,000 allocation

In September 2010, HUD approved the projects listed above as part of Annual Action Plan and in October 2010, released CDBG funding for each. For this CDBG funding, staff also agreed to be flexible with

funding between the projects if one activity became more popular than the other so long as the scope fit within City Council’s original intent for the funds.

All five projects listed above were approved by HUD based on their economic impact to a low-to-moderate income area.

**Background on HUD’s Determination**

In May 2011, HUD completed a compliance monitoring of the City’s CDBG files. During this monitoring visit, HUD staff determined any residential façade improvement activities they previously approved were in fact not allowed under HUD guidelines. Specifically, the City’s CDBG projects impacted by this ineligibility determination are:

- 2009/2010 East Town Façade Improvement Project for residential façade improvements: \$40,000 allocation
- 2010/2011 Old Town Residential Façade Improvement Project for residential façade improvements: \$10,000 allocation

The City’s process with CDBG and other grant funding is to pay invoices upfront and then seek reimbursement for costs from the grantor agency. Between the fall of 2009 and spring of 2010 \$53,063.96 was expended on residential façade improvements in Old Town. 68.5% of this funding was spent on low-to-moderate income households and 99% of the funding was spent locally with 15 different local contractors. Reimbursement for the \$53,063.96 was to come from the two CDBG residential façade improvement projects listed in bullets directly above and by moving \$3,063.96 from the 2009/2010 \$20,000 Saluda Street Façade Improvements (originally designated for commercial façade improvements) to a residential façade activity. HUD’s May 2011 determination that residential façade improvements are not an eligible activity voids this reimbursement scenario.

Additionally, before learning of the HUD decision regarding residential façade improvements, HUD did reimburse the City for \$14,520.07 of the \$53,063.96 expenditure. This reimbursement applied to the 2009/2010 East Town Façade Improvements project. This left a remaining balance in this project account of \$25,479.93. Notwithstanding their initial approval of this residential façade improvements project, HUD is still requiring the City to reimburse them for their \$14,520.07 payment. As a result, the City is still in need of funding to cover the full \$53,063.96 balance of existing residential façade improvement expenditures completed in Old Town.

**Proposed Solution**

Since the residential façade improvement projects are no longer CDBG eligible, City staff are recommending any remaining CDBG funds reserved for this type of project be reappropriated to the CDBG Program Administration project and then applied to the expenses incurred. The residential façade improvement projects and associated CDBG funds recommended for reappropriation to Program Administration are:

<i><b>CDBG Project Name</b></i>	<i><b>Remaining Balance of CDBG Funds</b></i>
2009/2010 East Town Façade Improvement Project	\$25,479.93
2010/2011 Old Town Façade Improvements Project	\$10,000.00
<b>Total Available for Program Administration</b>	<b>\$35,479.93</b>

With successful reappropriation of the \$35,479.93 to the CDBG Program Administration project, a balance of \$17,584.03 of the original \$53,063.96 in expenditures remains.

As described in the “Summary of Council Approved CDBG Funded Old Town Façade Improvement Projects” section of this memo, City Council has previously approved \$20,000 in CDBG funding for the 2009/2010 Saluda Street Commercial Façade Improvement Project. City staff propose to reappropriate \$17,584.03 of these funds to the CDBG Program Administration project. The reappropriated funds will be replaced with \$17,584.03 in remaining Section 108 funds eligible for residential façade improvements. This will result in the 2009/2010 Saluda Street Commercial Façade Improvement Project still being funded at the full \$20,000.

Completing the reappropriation of CDBG funds from the activities summarized above will cover the total \$53,063.96 in residential façade improvement expenditures. The chart below summarizes the funding needed for the full reimbursement of the City’s \$53,063.96 in expenses.

<i>CDBG Project Name</i>	<i>CDBG Funding Recommended for Project Administration</i>
2009/2010 East Town Façade Improvement Project	\$25,479.93
2010/2011 Old Town Façade Improvements Project	\$10,000.00
2009/2010 Saluda Street Façade Improvement Project (to be replaced with \$17,584.03, in Section 108 funds)	\$17,584.03
<b>Total Available for CDBG Project Administration</b>	<b>\$53,063.96</b>

**Request for City Council Approval**

Based on the information listed above, City staff are requesting City Council consider approving the following amendments to its Annual Action Plan. Approving these amendments as part of the Annual Action Plan is a HUD requirement.

2009/2010 East Town Façade Improvement Project: We are requesting approval to close this project and reappropriate the remaining balance of \$25,479.93 to the CDBG Program Administration project.

2010/2011 Old Town Façade Improvements Project: We are requesting approval to close this project and reappropriate the remaining balance of \$10,000 to the CDBG Program Administration project.

2009/2010 Saluda Street Commercial Façade Improvement Project: We are requesting approval to reappropriate \$17,584.03 to the CDBG Program Administration project.