

Memorandum



CITY OF DALLAS

DATE February 1, 2019

Honorable Members of the Economic Development & Housing Committee:
Tennell Atkins (Chair), Rickey D. Callahan (Vice Chair), Lee M. Kleinman,
TO Scott Griggs, Casey Thomas, II, B. Adam McGough, Mark Clayton, Kevin Felder,
Omar Narvaez

SUBJECT **Community Development Block Grant: Extensions and Reprogramming of Funds**

On Monday, February 4, 2019, the Office of Budget will brief the Economic Development & Housing Committee on the FY 2018-19 Community Development Block Grant: Extensions and Reprogramming of Funds. We have attached the briefing for your review.

Please let me know if you have any questions.

A handwritten signature in blue ink that reads "M. Elizabeth Reich".

M. Elizabeth Reich
Chief Financial Officer

Attachment

C: Honorable Mayor and Members of the City Council
T.C. Broadnax, City Manager
Chris Caso, City Attorney (Interim)
Carol Smith, City Auditor (Interim)
Biliera Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizzor Tolbert, Chief of Staff to the City Manager

Majed A. Al-Ghafry, Assistant City Manager
Jon Fortune, Assistant City Manager
Joey Zapata, Assistant City Manager
Nadia Chandler Hardy, Assistant City Manager & Chief of Resilience
Laila Aleqresh, Chief Innovation Officer
Directors and Assistant Directors

Community Development Block Grant: Extensions and Reprogramming of Funds

Economic Development & Housing Committee

February 4, 2019

**Chan Williams, Assistant Director
Office of Budget**

**David Noguera, Director, Housing and
Neighborhood Revitalization**



Purpose of Briefing

- Review Community Development Block Grant (CDBG) timely expenditure requirements
- Recommend extension and reprogramming of prior year unspent funds
- Seek Committee's favorable recommendation to move forward with the February 27 resolution authorizing
 - Extension of CDBG funds;
 - Preliminary adoption of Reprogramming Budget #1 for the FY 2018-19 Action Plan;
 - Amendment to the Action Plan; and
 - Calling the public hearing
- Review Next Steps

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Timely Expenditure Requirements

- There are two tests to ensure that CDBG funds are spent in a timely manner
 1. U.S. Department of Housing and Urban Development (HUD) as required by federal regulations
 2. City policy as directed by City Council resolution

HUD Expenditure Requirements

- HUD requires that CDBG funds be expended in a timely manner
 - Federal regulations limit amount of CDBG funds that may be unspent to no more than 1.5 times grantee's annual grant allocation
 - Failure to meet this requirement could result in a reduction of the next annual grant allocation
- Requirement is tested annually on August 2
- Test is conducted on two undisbursed amounts of CDBG funds
 - One is based on grant funds alone (unadjusted)
 - One is adjusted to include program income the City has received and reported to HUD

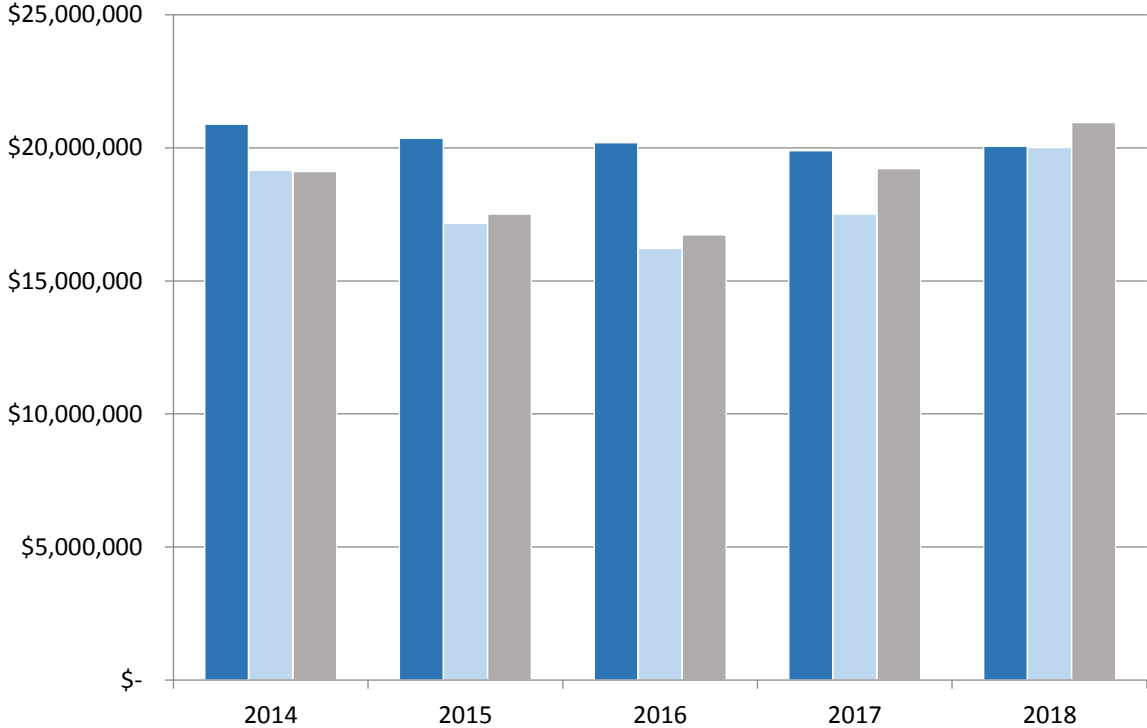
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HUD Expenditure Requirements

- HUD tests were conducted on August 2, 2018
 - For the first test (unadjusted), the City's balance was equivalent to 1.497, just under the 1.5 threshold
 - For the second test (adjusted for program income), the City's balance was equivalent to 1.57, exceeding the required limit of 1.5
- A spend plan for FY 2018-19 was submitted to HUD to return the program to full compliance with the timeliness standard by August 2, 2019

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HUD Expenditure Requirements



City's unspent balance must be less than the amount allowed by HUD when tested at the end of July each year.

- HUD Allowed Balance
- City's Letter of Credit Balance
- City's LOCC Adj for Program Income

City Expenditure Requirements

- City Council established a policy in August 1993 to ensure timely expenditure of CDBG funds
 - CDBG funds must be obligated within 12 months and expended within 24 months
- In March 2007 the City Council added criteria and benchmarks to further define compliance with the policy
- City Council has authority to extend the time allowed for the expenditure of CDBG funds



City Review

- Annual review is conducted during the Fall of each year to determine the status of each project
- Unspent project funds that are not in compliance with the City's internal policy are either recommended for an extension or reprogrammed to another eligible purpose
- Based on the most recent review
 - Unspent funds remaining in 15 projects were recommended for extension (total \$2.2m); and
 - Unspent funds remaining in 19 projects were recommended for reprogramming (total \$2.1m)



CDC Review

- Review by the Community Development Commission (CDC) occurred during December and January
- On January 3, CDC made one amendment to the initial extension recommendation
 - After discussions with staff, one project was moved from the extension request list and added to the list of funds to be reprogrammed
- As a result of the CDC amendment
 - Unspent funds remaining in 14 projects was recommended for extension (total \$1.4m); and
 - Unspent funds remaining in 20 projects were recommended for reprogramming (total \$2.9m)

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Note: List of projects included as an Attachment



Recommendations

- On February 27, Council will be asked to approve
 - Extension of the City's timely expenditure policy for 14 CDBG projects and \$1.4m to allow additional time to complete the projects
 - Reprogramming of \$2.9m from 20 projects to be used for eligible activities included in the 2018 Notice of Funding Availability (NOFA) in Housing and Neighborhood Revitalization Department

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Reprogramming

- In prior years, reprogrammed prior year unspent funds are used as a “source of funds” to be included as part of next CDBG budget cycle
- This year, staff recommends moving forward with budgeting of unspent funds to ensure HUD’s expenditure requirements are met on August 2, 2019
- Housing and Neighborhood Revitalization Department proposes to use \$2.8m of reprogramming funds for the 2018 Notice of Funding Availability (NOFA)

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Amendment to the Action Plan

- Successful projects from the 2018 NOFA have now been identified and include acquisition of land for new housing development
- Program description is currently limited to allow for reconstruction and/or rehabilitation activities only
- Acquisition of land for residential purposes is an eligible activity
- It is recommended that the Action Plan be amended to allow for acquisition of land for residential purposes along with other housing activities

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Next Steps

- February 4 – Committee’s consideration to move forward with extensions and reprogramming as recommended
- February 27 – City Council consideration
 - Extension Requests;
 - Preliminary adoption of Reprogramming Budget #1 for the FY 2018-19 Action Plan;
 - Amend to the Action Plan to expand the description of eligible activities to include acquisition of land for residential purposes along with other housing activities; and
 - Call the public hearing
- April 10 – Hold public hearing; and Final adoption of Reprogramming Budget #1 for the FY 2018-19 Action Plan

Attachment

Extensions & Reprogramming Project Listing By Department



Community Development Block Grant: Extensions and Reprogramming of Funds

Economic Development & Housing Committee

February 4, 2019

**Chan Williams, Assistant Director
Office of Budget**

**David Noguera, Director, Housing
and Neighborhood Revitalization**



FY 2018-19 COMMUNITY DEVELOPMENT BLOCK GRANT												
EXTENSION REQUESTS AND REPROGRAMMING FUNDS												
as of SEPTEMBER 30, 2018												
	Fiscal Year	Dept	Project Name	Appropriations	ITD Expended	Encumbrances	Unobligated	CMO Recommended Extension Request	CMO Recommended Reprogramming Funds	CDC Vote 1/3/19 Recommended Extension Request	CDC Vote 1/3/19 Recommended Reprogramming Funds	Explanation
CITY ATTORNEY												
1	2017-18	ATT	South Dallas/Fair Park Community Court	\$318,738.00	\$249,134.35	\$1,892.00	\$67,711.65	\$0.00	\$69,603.65	\$0.00	\$69,603.65	Unspent funds due to vacancies and savings; funds will be reprogrammed.
2	2017-18	ATT	South Oak Cliff Community Court	\$228,370.00	\$225,473.27	\$1,897.04	\$999.69	\$0.00	\$2,896.73	\$0.00	\$2,896.73	Unspent funds due to vacancies and savings; funds will be reprogrammed.
3	2017-18	ATT	West Dallas Community Court	\$218,317.00	\$182,019.16	\$1,892.00	\$34,405.84	\$0.00	\$36,297.84	\$0.00	\$36,297.84	Unspent funds due to vacancies and savings; funds will be reprogrammed.
TOTAL CITY ATTORNEY				\$765,425	\$656,627	\$5,681	\$103,117	\$0	\$108,798	\$0	\$108,798	
HOUSING/COMMUNITY SERVICES												
4	2010-11	HOU	NIP-Spring Avenue Infrastructure	\$162,354.63	\$147,996.84	\$13,479.99	\$877.80	\$14,357.79	\$0.00	\$14,357.79	\$0.00	Project is scheduled to be advertised for construction in April 2019.
5	2015-16	HOU	Major Systems Repair Program	\$873,784.57	\$871,939.37	\$0.20	\$1,845.00	\$1,845.20	\$1,845.20	\$0.00	\$1,845.20	Reprogram unobligated funds
6	2015-16	HOU	Major Systems Repair Program	\$1,064,334.00	\$1,056,646.93	\$0.00	\$7,687.07	\$7,687.07	\$7,687.07	\$0.00	\$7,687.07	Reprogram unobligated funds
7	2010-11	HOU	Community Based Development Org - EDCO	\$499,999.97	\$494,592.27	\$5,407.70	\$0.00	\$5,407.70	\$0.00	\$5,407.70	\$0.00	Estimated completion date of project and final payment: 1st qtr FY 2018-19
8	2011-12	HOU	Community Based Development Org - EDCO	\$300,000.00	\$221,942.06	\$74,040.52	\$4,017.42	\$74,040.52	\$4,017.42	\$74,040.52	\$4,017.42	Extension requested to pay final invoice. Estimated completion date of project and final payment 1st qtr of FY 2018-19. Impact: the department will need to identify other funding sources, that have been identified for other projects. Reprogram unobligated funds
9	2011-12	HOU	NIP-Spring Avenue Infrastructure	\$334,216.00	\$246,155.55	\$0.00	\$88,060.45	\$88,060.45	\$0.00	\$88,060.45	\$0.00	Project is scheduled to be advertised for construction in April 2019.
10	2012-13	HOU	NIP-South Dallas Ideal/Rochester Park Public Improv	\$100,000.00	\$95,272.03	\$0.00	\$4,727.97	\$0.00	\$4,727.97	\$0.00	\$4,727.97	Reprogram unobligated funds
11	2013-14	HOU	NIP-South Dallas/Fair Park Public Improvements	\$343,318.00	\$195,277.55	\$148,040.45	\$0.00	\$148,040.45	\$0.00	\$148,040.45	\$0.00	Final payment in process; remaining funds will be reprogrammed.
12	2013-14	HOU	NIP-SDFP/Mingo/Beall Streets Public Improvement	\$414,000.00	\$103,650.24	\$17,594.76	\$292,755.00	\$310,349.76	\$0.00	\$310,349.76	\$0.00	Funds are needed to complete the improvements to Mingo and Beall St. Delays in this project was due to needing Right-of-Way and easement from DART. Estimated construction date: June 2019; Estimated completion date: Nov 2020.
13	2015-16	HOU	Major Systems Repair Program	\$539,810.43	\$537,527.55	\$2,082.88	\$200.00	\$2,082.88	\$200.00	\$2,082.88	\$200.00	Project: 2323 Popular St. retainage payment due to vendor. Estimated payment date: 12/31/2018. Reprogram unobligated funds
14	2015-16	HOU	Major Systems Repair Program	\$123,755.00	\$123,680.49	\$0.00	\$74.51	\$74.51	\$74.51	\$0.00	\$74.51	Reprogram unobligated funds
15	2015-16	HOU	Reconstruction Program	\$1,221,964.00	\$1,179,302.68	\$36,512.50	\$6,148.82	\$36,512.50	\$6,148.82	\$36,512.50	\$6,148.82	Project at 2612 Stephenson St. has been completed. Pending final invoice from vendor. Estimated final payment & retainage completed by 12/30/2018. Impact: Unable to pay vendor according to funds identified in the approved Council Resolution. Reprogram unobligated funds
16	2015-16	HOU	Housing Services Program - CWCDC	\$10,000.00	\$7,134.00	\$0.00	\$2,866.00	\$2,866.00	\$2,866.00	\$0.00	\$2,866.00	Reprogram unobligated funds
17	2015-16	HOU	NIP-South Dallas Ideal/Rochester Park Public Improv	\$800,000.00	\$13,894.46	\$13,705.00	\$772,400.54	\$786,105.54	\$0.00	\$0.00	\$786,105.54	CDC recommendation reprogramming unspent funds.
18	2016-17	HOU	Housing Assistance Support	\$1,671,452.00	\$1,670,393.39	\$0.00	\$1,058.61	\$0.00	\$1,058.61	\$0.00	\$1,058.61	Reprogram unobligated funds
19	2016-17	HOU	Major Systems Repair Program	\$1,657,630.00	\$1,066,137.67	\$89.00	\$591,403.33	\$591,492.33	\$0.00	\$591,492.33	\$0.00	The Program was on hold for the majority of FY 2017-18 to allow leadership team to restructure program to comply with Housing Policy guidelines. The Program is currently in the process of securing contractors and anticipates spending the unobligated funds by February 2019. Impact: the funds can assist approximately 8 homeowners.
20	2016-17	HOU	People Helping People - Home Repair Program	\$174,035.48	\$165,683.48	\$8,352.00	\$0.00	\$8,352.00	\$0.00	\$8,352.00	\$0.00	Outstanding payments are pending; unspent balance will be reprogrammed.

FY 2018-19 COMMUNITY DEVELOPMENT BLOCK GRANT												
EXTENSION REQUESTS AND REPROGRAMMING FUNDS												
as of SEPTEMBER 30, 2018												
	Fiscal Year	Dept	Project Name	Appropriations	ITD Expended	Encumbrances	Unobligated	CMO Recommended Extension Request	CMO Recommended Reprogramming Funds	CDC Vote 1/3/19 Recommended Extension Request	CDC Vote 1/3/19 Recommended Reprogramming Funds	Explanation
21	2017-18	HOU	Housing Management Support	\$992,263.00	\$933,853.04	\$0.00	\$58,409.96	\$0.00	\$58,409.96	\$0.00	\$58,409.96	Unobligated funds due to staff retirements; funds will be reprogrammed.
22	2017-18	HOU	Support for Healthy Home Repair Program	\$1,771,344.00	\$1,116,862.04	\$26,235.74	\$628,246.22	\$0.00	\$628,246.22	\$0.00	\$628,246.22	Reprogram unobligated funds.
TOTAL HOUSING/COMMUNITY SERVICES				\$ 13,054,261	\$ 10,247,942	\$ 345,541	\$ 2,460,779	\$ 2,064,802	\$ 715,282	\$ 1,278,696	\$ 1,501,387	
OFFICE OF BUDGET												
23	2017-18	BMS	Citizen Participation/CDC Support/HUD Oversight	\$751,819.00	\$696,533.07	\$439.00	\$54,846.93	\$55,285.93	\$0.00	\$55,285.93	\$0.00	Outstanding payments are pending; unspent balance will be reprogrammed.
24	Various	BMS	Reprogrammed Funds	\$294,681.08	\$0.00	\$0.00	\$294,681.08	\$0.00	\$294,681.08	\$0.00	\$294,681.08	Reprogram unobligated funds.
TOTAL OFFICE OF BUDGET				\$ 1,046,500	\$ 696,533	\$ 439	\$ 349,528	\$ 55,286	\$ 294,681	\$ 55,286	\$ 294,681	
OFFICE OF COMMUNITY CARE												
25	2017-18	MGT	OCC-Child Care Services Program	\$388,926.00	\$320,997.56	\$49,462.00	\$18,466.44	\$67,928.44	\$0.00	\$67,928.44	\$0.00	Funding will be used to pilot a program modification by which we will provide differential levels of reimbursement for clients based on need and program (Child Care Center) quality (TSR rating) Expected to be completed by September 2019.
26	2017-18	MGT	OCC-Senior Services Program	\$157,094.00	\$145,965.49	\$0.00	\$11,128.51	\$0.00	\$11,128.51	\$0.00	\$11,128.51	Unobligated due to staff vacancies; funds will be reprogrammed.
TOTAL OFFICE OF COMMUNITY CARE				\$ 546,020	\$ 466,963	\$ 49,462	\$ 29,595	\$ 67,928	\$ 11,129	\$ 67,928	\$ 11,129	
OFFICE OF EQUITY AND HUMAN RIGHTS												
27	2016-17	MGT	Fair Housing Enforcement	\$712,323.00	\$672,266.29	\$40,056.71	\$0.00	\$40,056.71	\$0.00	\$40,056.71	\$0.00	Funds are needed to complete final payment for Regional AFH study conducted by UTA.
28	2017-18	MGT	Fair Housing Enforcement	\$721,345.00	\$692,301.10	\$6,700.00	\$22,343.90	\$6,700.00	\$22,343.90	\$6,700.00	\$22,343.90	Outstanding payments are pending; unspent balance will be reprogrammed.
TOTAL OFFICE OF EQUITY AND HUMAN RIGHTS				\$ 1,433,668	\$ 1,364,567	\$ 46,757	\$ 22,344	\$ 46,757	\$ 22,344	\$ 46,757	\$ 22,344	
PLANNING & NEIGHBORHOOD VITALITY												
29	2014-15	PNV	NIP-South Dallas Ideal/Rochester Park Public Improv	\$138,208.00	\$9,612.30	\$0.00	\$128,595.70	\$0.00	\$128,595.70	\$0.00	\$128,595.70	Reprogram unobligated funds
30	2014-15	PNV	NIP-South Dallas/Fair Park Public Improvements	\$836,408.00	\$19,669.67	\$0.00	\$816,738.33	\$0.00	\$816,738.33	\$0.00	\$816,738.33	Reprogram unobligated funds
TOTAL PLANNING & NEIGHBORHOOD VITALITY				\$ 974,616	\$ 29,282	\$ -	\$ 945,334	\$ -	\$ 945,334	\$ -	\$ 945,334	
GRAND TOTAL				\$ 17,820,490	\$ 13,461,914	\$ 447,879	\$ 3,910,697	\$ 2,234,773	\$ 2,097,568	\$ 1,448,667	\$ 2,883,673	