

# Memorandum



CITY OF DALLAS

DATE May 14, 2010

TO Housing Committee Members: Steve Salazar, Chair, Carolyn R. Davis, Vice-Chair, Tennell Atkins, Dwaine Caraway, Ann Margolin, Pauline Medrano

SUBJECT Potential Changes to Community Development Block Grants Nonprofit Public Improvement Policy

On Monday, May 17, 2010, you will be briefed on Potential Changes to Community Development Block Grants Nonprofit Public Improvement Policy. A copy of the briefing is attached.

Please let me know if you have any questions.

A handwritten signature in cursive script that reads "Jeanne Chipperfield".

Jeanne Chipperfield  
Chief Financial Officer

c: The Honorable Mayor and Members of the City Council  
Mary K. Suhm, City Manager  
Ryan S. Evans, First Assistant City Manager  
Forest Turner, Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager  
A.C. Gonzalez, Assistant City Manager  
Deborah Watkins, City Secretary  
Tom P. Perkins, Jr., City Attorney  
Craig Kinton, City Auditor  
C. Victor Lander, Judiciary  
Jerry Killingsworth, Housing/Community Services Director  
Jack Ireland, Executive General Manager  
Helena Stevens-Thompson, Assistant to the City Manager



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# Potential Changes to Community Development Block Grants Nonprofit Public Improvement Policy Housing Sub-Committee Recommendations



Housing Committee  
May 17, 2010



# Purpose

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- Provide an update on recommendations proposed by the Housing Subcommittee on the City's current Community Development Block Grant (CDBG) nonprofit public improvement policy
- Review next steps



# Background

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- Prior to 2002, nonprofit organizations received CDBG funds for public improvements (“bricks and mortar”)
- Applications were submitted to the Community Development Commission (CDC) during annual CDBG budget development process
- CDC reviewed applications and made recommendations for projects and award amounts for City Council consideration



# City Council Policy

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- In June 2002, City Council adopted policy to discontinue the use of CDBG funds for public improvement projects at nonprofit organizations



# Current Use

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- CDBG funds are currently used to address capital needs at eligible City-owned facilities such as:
  - Community centers
  - Facilities that provide services to homeless individuals and families
  - Libraries
  - Parks and recreation centers
  - Infrastructure improvements



# CDBG Funds Overview

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- Per CDBG regulations, funds may be used to acquire/improve public facilities
- Eligible costs include:
  - Acquisition of land and/or buildings
  - Construction/renovation of facilities (“bricks and mortar”)
  - Rehabilitation or installation of public facilities and improvements



# CDBG Funds Overview

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- The City is responsible for ensuring compliance with Federal regulations
  - Projects must be completed successfully
  - Compliance must be maintained throughout the required service period after project has been completed
    - For nonprofit organizations, regulations require that the organization provide a public service to the community for at least 5 years

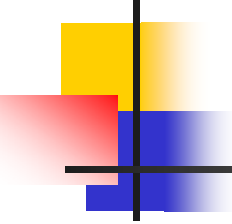




# Housing Sub-Committee

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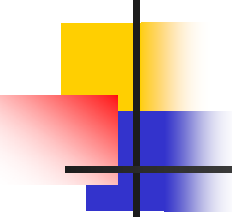
- In November 2009, the Housing Sub-Committee was formed to review the City's current CDBG policy regarding funds to nonprofit organizations for public improvements and make recommendations
- Sub-Committee held meetings from November 2009 through January 2010



# Housing Sub-Committee Recommendations

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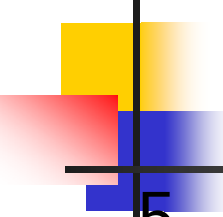
1. Rescind the City's current policy that discontinues the use of CDBG funds for public improvement activities at nonprofit organizations
2. Reinstate policy to allow the use of CDBG funds for public improvement activities at nonprofit organizations beginning in **FY 2011-12**



# Housing Sub-Committee Recommendations

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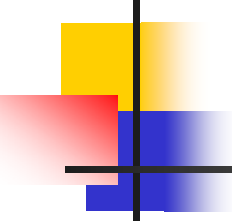
3. That no more than **1** project will be awarded annually
4. That the total amount of CDBG funds awarded for public improvement projects to nonprofit organizations shall not exceed **a total of \$100,000 in any one year regardless of the number of grants OR xx% of the total CDBG budget for a fiscal budget year**



# Housing Sub-Committee Recommendations

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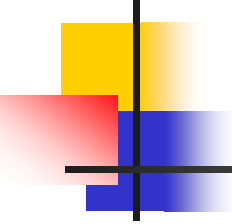
5. Establish additional criteria and requirements to be incorporated into the funding consideration process
  - a. Nonprofit organizations must have been incorporated, established and have experience providing eligible CDBG public service activities of the type that the City will require for particular project for a minimum of 5 or 8 years
  - b. CDBG funds cannot exceed 20% or 30% of the total cost of the project (the nonprofit organization must provide the remaining total cost of the project from banks, lenders or other sources)



# Housing Sub-Committee Recommendations

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- c. CDBG funds allocated to any nonprofit organization's public improvement project cannot exceed \$100,000 annually for each award
  
- d. Once the City funds a public improvement project with a particular nonprofit organization using CDBG funds, the organization may not be awarded additional CDBG funds for public improvement projects for the next xx fiscal years following the end of the fiscal year in which the organization received an award of CDBG funds for a public improvement project. "Fiscal year" means the City of Dallas' fiscal year, October 1<sup>st</sup> through September 30<sup>th</sup>



# Housing Sub-Committee Recommendations

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- e. Any liens on real property received by the City to secure performance of any CDBG funded public improvement project must be a **first lien** position, superior to all other liens (other than ad valorem tax liens for the current years only) as to the subject real property



# Next Steps

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- Finalize Housing Committee recommendations
- Forward recommendations to City Council for consideration and call the public hearing
- 30-day public review and comment period
- Public hearing before City Council and final adoption of recommendations



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# Attachment A Draft Resolution



# Attachment A

# DRAFT

Xxxxxxxx XX, 2010

**WHEREAS**, on June 12, 2002, the City Council approved Council Resolution No. 02-1778 to discontinue the use of the Community Development Block Grant (CDBG) funds to fund public improvement projects to non-profit organizations beginning in FY 2003-04; and

**WHEREAS**, on May 24 2006, by Resolution No. 06-1521, the City Council authorized that Section 3 of Resolution No. 02-1778, passed by the City Council on June 12, 2002, that allows for consideration of a Community Development Block Grant economic development project each year in CDBG eligible neighborhoods, be deleted from Resolution No. 02-1778; provided, however, that the City Council may consider a CDBG economic development project each year in CDBG eligible neighborhoods with respect to the proposed FY 2006-07 Consolidated Plan Budget; and

**WHEREAS**, the City Council desires to rescind Resolution No. 02-1778 passed on June 12, 2002 in its entirety that authorized discontinuing the use of the Community Development Block Grant funds for public improvement activities at nonprofit organizations, together with any other provision established by City Council Resolution No. 06-1521; **Now Therefore**,

## **BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:**

**Section 1.** That City Council Resolution No. 02-1778 passed June 12, 2002, as modified by Resolution No. 06-1521 passed on May 24, 2006, together with any other provision established by Resolution No. 06-1521 are rescinded.

**Section 2.** That by this resolution, the City of Dallas will reinstate its policy to fund public improvement projects to nonprofit organizations using Community Development Block Grant (CDBG) funds beginning in **FY 2011-12.** As a condition to CDBG funding, the nonprofit organization shall provide eligible CDBG public services and meet CDBG national objectives for a minimum five (5) year period. (suggested by CM Margolin)

**Section 3.** That no more than **1** project will be awarded annually to fund public improvement projects to nonprofit organizations in the CDBG budget. (suggested by CM Margolin)

**Section 4.** That the total amount of CDBG funds awarded for public improvement projects to nonprofit organizations shall not exceed **a total of \$100,000 in any one year regardless of the number of grants OR xx% of the total CDBG budget for a fiscal budget year.** (\$100,000 suggested by CM Margolin; % suggested by Housing Subcommittee)

# DRAFT

XXXXXXXX XX, 2010

**Section 5.** That the following criteria and requirements be incorporated into the annual funding consideration process by the City to evaluate the public improvement projects and the viability of each nonprofit organization to receive CDBG funding for public improvement projects:

- a. Non-profit organizations must have been incorporated, established and have experience providing eligible CDBG public service activities of the type that the City will require for a particular project for a minimum of **5 OR 8** years. *(5 years suggested by CM Davis; 8 years suggested by CM Margolin)*
- b. CDBG funds cannot exceed **20% OR 30%** of the total cost of the project (the nonprofit organization must provide the remaining total cost of the project from banks, lenders or other sources). *(30% suggested by CM Davis; 20% suggested by CM Margolin)*
- c. CDBG funds allocated to any nonprofit organization's public improvement project cannot exceed **\$100,000** annually for each award. *(suggested by CM Margolin)*
- d. Once the City funds a public improvement project with a particular nonprofit organization using CDBG funds, the organization may not be awarded additional CDBG funds for public improvement projects for the next **XX** fiscal years following the end of the fiscal year in which the organization received an award of CDBG funds for a public improvement project. "Fiscal year" means the City of Dallas' fiscal year, October 1<sup>st</sup> through September 30<sup>th</sup>.
- e. Any liens on real property received by the City to secure performance of any CDBG funded public improvement project must be a **first lien position**, superior to all other liens (other than ad valorem tax liens for the current years only) as to the subject real property. *(suggested by CM Davis)*

**Section 6.** That this resolution shall take effect immediately from and after its passage in accordance with the Charter of the City of Dallas, and it is accordingly so resolved.

**Distribution:**

City Attorney's Office  
Housing/Community Services Department  
Office of Economic Development  
Office of Financial Services/Grants Division, 4FS