

# Memorandum



CITY OF DALLAS

DATE October 30, 2009

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

SUBJECT Potential Changes of Community Development Block Grants Utilization Policy

On Monday, November 2 2009, you will be briefed on Potential Changes of Community Development Block Grants Utilization Policy. A copy of the briefing is attached.

Please let me know if you have any questions.

*for*   
David Cook  
Chief Financial Officer

c: The Honorable Mayor and Members of the City Council  
Mary K. Suhm, City Manager  
Deborah Watkins, City Secretary  
Tom P. Perkins, Jr., City Attorney  
Craig Kinton, City Auditor  
C. Victor Lander, Judiciary  
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  
Jerry Killingsworth, Housing/Community Services Director  
Jeanne Chipperfield, Director, Financial Services  
Helena Stevens-Thompson, Assistant to the City Manager

# Potential Changes of Community Development Block Grants Utilization Policy



Housing Committee  
November 2, 2009

# Purpose

- Provide information regarding the use of Community Development Block Grant (CDBG) funds for capital improvements
- Housing Committee expressed a desire to revisit City's current policy

# CDBG Funds Overview

- 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

- 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

# Background

- Prior to 2002, nonprofit organizations received CDBG funds for capital improvements (“bricks and mortar”)
- Applications were submitted to 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

# Background

- Projects routinely experienced challenges with meeting and maintaining compliance with Federal regulations both during project implementation and after completion.

# Background

- Federal compliance reviews often resulted in findings of non-compliance, including
  - Inability to document compliance with federal regulations during acquisition and/or rehabilitation
  - Inability to document agency's capacity as an ongoing concern in order to meet service requirements after project completion
  - Ineligible use of funds
- Noncompliance with federal regulations have resulted in
  - Audit findings
  - Repayment of funds to HUD/City's CDBG Line of Credit



# Background

- Nonprofits were historically slow to spend and funds remained unspent for several years
- Unspent funds affect the City's ability to comply with HUD's timely expenditure requirements for CDBG funds.

# City Council Policy

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

# Status of Projects

- At time of the policy change, there were 27 incomplete public improvements projects at nonprofit organizations. Status of projects is as follows:

Successfully Completed	15
Underway or still within service period	3
Funds reprogrammed, nonprofit did not use	5
City currently providing services	1
Funds repaid to HUD	1
Pending repayment to HUD	2

# Current Use

- CDBG funds are currently used to address 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

# Questions?