



City of Dallas

Community Development Block Grant: Timely Expenditure of Funds

**Government Performance &
Financial Management Committee**

January 25, 2021

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Overview



- Review Community Development Block Grant (CDBG) timely expenditure requirements and recommendation for extension and/or reprogramming of prior year unspent funds
- Review HOME unspent funds and recommendation
- Discuss changes to the Substantial Amendment Process
- Seek committee's support for CDC and staff recommendations
- Review next steps



Timely Expenditure Requirements



There are two tests to ensure 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



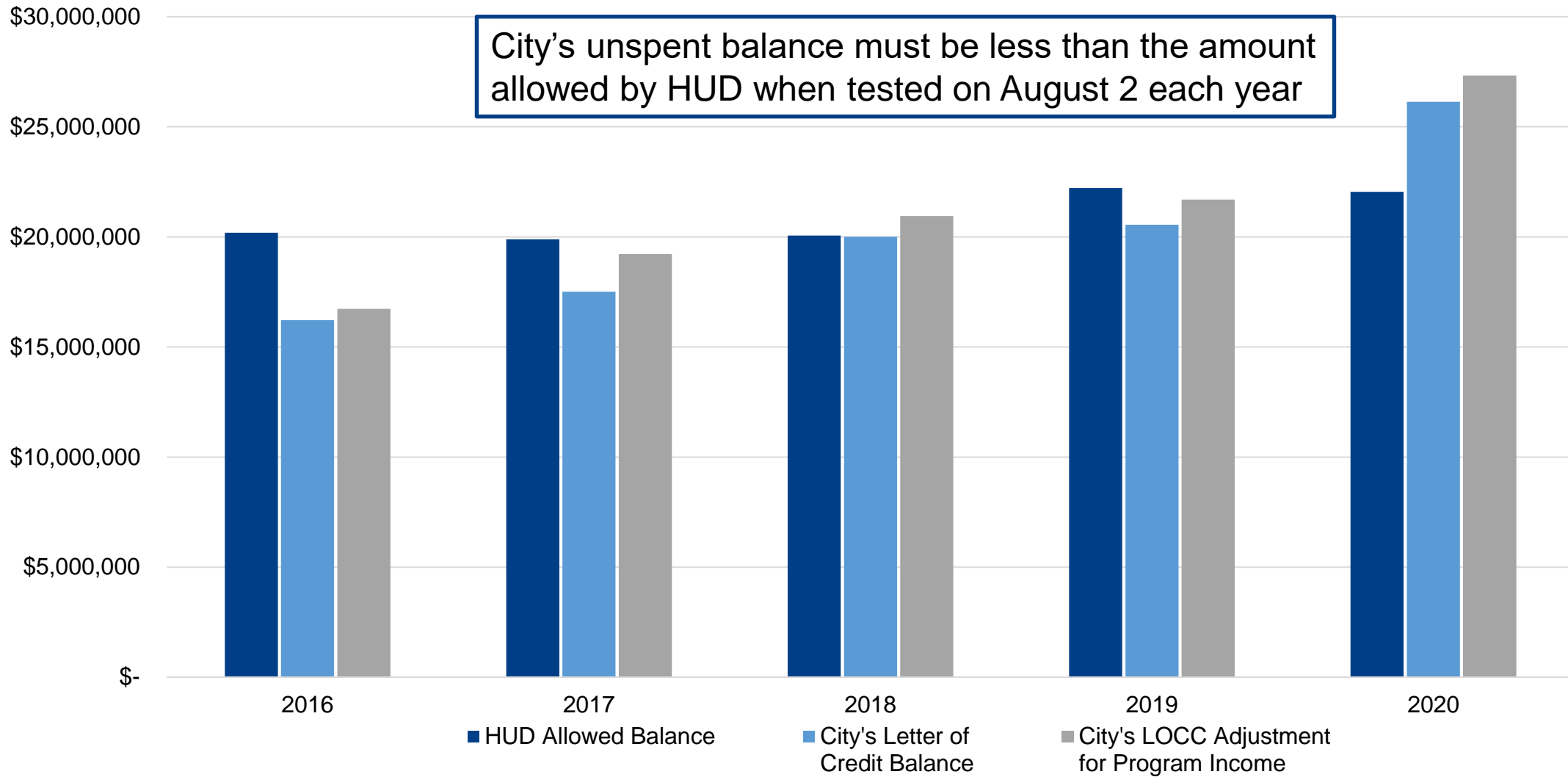
HUD Expenditure Requirements



- HUD requires that CDBG funds be expended in a timely manner
 - Federal regulations limit amount of unspent CDBG funds 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 (unadjusted)
 - One is adjusted to include program income the City has received and reported to HUD



HUD Expenditure Requirements



HUD Expenditure Requirements



- August 2, 2018
 - City did not meet HUD's timely expenditure requirements
 - City submitted a spend plan for FY19 to HUD to return the program to full compliance
- August 2, 2019
 - City met HUD's timely expenditure requirement
 - Program returned to full compliance and HUD's finding was closed
- August 2, 2020
 - City expenditures did not meet HUD requirements due to COVID-19
 - Programs and services significantly reduced or suspended since March 2020 in response to public health emergency
 - HUD did not take corrective actions or sanctions
 - HUD is allowing grantees until next annual checkpoint (8/2/21) to ensure programs meet timely expenditure requirements



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, 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



- City conducts an annual review each fall to determine the status of each project
- Unspent project funds that are not in compliance are either recommended for an extension or reprogrammed to another eligible purpose
- Based on the most recent review:
 - Unspent funds remaining in 14 projects were recommended for extension (total \$1,382,617)
 - Unspent funds remaining in 10 projects were recommended for reprogramming to another eligible use (total \$2,520,726)



Community Development Commission Review



- CDC reviewed during December and January
 - CDC Financial Monitoring Committee reviewed the City Manager's recommendation on December 17 and made no amendments
 - CDC reviewed and approved the Committee's recommendation on January 7
- List of projects provided in the attachment



CDBG Reprogramming



- To ensure the City meets HUD's expenditure requirements in a timely manner in 2021, staff recommends moving forward with reprogramming unspent funds to other eligible uses
- Recommended use of funds (total \$2,520,726)
 - Residential Development Acquisition Loan Program: \$2,011,333
 - Emergency Assistance Program: \$509,393



CDBG Reprogramming



- Residential Development Acquisition Loan Program (RDALP) allows for more eligible housing activities and includes single-family and multi-family uses
 - Approximately \$2 million from Dallas Homebuyer Assistance Program (DHAP) is available to be reprogrammed due to the competitive market and limited affordable housing stock
 - RDALP addresses identified need and priority to develop/increase housing units
- Emergency Assistance Program
 - Eviction moratorium extended until March 31
 - Eligible uses include financial assistance for rent, mortgage and utilities



HOME Reprogramming



- Plans are underway for projects, including an open Notice of Funding Affordability (NOFA) to address the critical need for affordable housing units
- To expedite the availability of funding for projects to develop and increase housing units, unspent HOME funds will also be included in this reprogramming and directed to HOU's Housing Development Loan Program (total \$1,996,715)



Substantial Amendment Process



- After City Council adopts the Consolidated Plan budget and HUD approves, changes may be necessary
- Citizen Participation Plan defines the criteria for a substantial change and triggers HUD-specific amendment procedures if:
 - Creating a new activity not included in the budget
 - Deleting an existing activity that is included in the budget
 - A change in funding of 25% or \$100,000 of a budget
 - Any revision to the basic purpose, location, scope, or beneficiaries of an activity that is not consistent with Five-Year Consolidated Plan



Substantial Amendment Process



- Substantial amendment process primarily used for large housing development projects
- Procedures for substantial amendment include:
 - Presentation to CDC and City Council
 - City Council agenda items for preliminary adoption and final adoption
 - Public notice in the newspaper
 - 30-day public review and comment period
 - No fewer than 14 days between calling and conducting the public hearing



Substantial Amendment Process



- Completing substantial amendment process for HUD-funded projects can add up to three-month delay for projects that may be underway
- Staff recommends increasing the substantial amendment amount from \$100,000 to \$500,000 to reduce delays that could result in price increases or other barriers preventing timely completion of projects
- No change to City requirements



Recommendations



- On January 27, City Council will be asked to approve:
 - Extension of the City's timely expenditure policy for 14 CDBG projects (total \$1,382,617) to allow additional time for completion
 - Preliminary adoption and call for a public hearing to:
 - Reprogram unspent prior year CDBG funds to other eligible activities
 - Total \$2,520,726
 - Reprogram unspent prior year HOME funds to other eligible activities
 - Total \$1,996,715
 - Amend the Citizen Participation Plan's Substantial Amendment process



Next Steps



- January 25 – Committee consideration to move forward with extensions and reprogramming as recommended
- January 27 – City Council consideration
- February 24
 - Conduct public hearing
 - Final adoption of Reprogramming Budget #1 for the FY 2020-21 Action Plan and amendment to the Citizen Participation Plan





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