



## Legislation Text

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**STRATEGIC PRIORITY:** Government Performance & Financial Management

**AGENDA DATE:** January 26, 2022

**COUNCIL DISTRICT(S):** N/A

**DEPARTMENT:** Budget and Management Services

**EXECUTIVE:** Elizabeth Reich

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### SUBJECT

Authorize **(1)** an extension through September 30, 2022 for Community Development Block Grant (CDBG) Funds in the amount of \$961,185 in CDBG funded projects that have not met the City's twelve-month obligation or twenty-four-month expenditure requirement; **(2)** preliminary adoption of Reprogramming Budget No. 1 (Substantial Amendment No. 3) to the FY 2021-22 Action Plan to: **(a)** use unspent prior year CDBG Funds in the amount of \$2,569,591 for the Residential Development Acquisition Loan Program and **(b)** use unspent CDBG CARES Act Relief Fund No. 3 (CDBG-COVID) Funds in the amount of \$250,000 in the Digital Navigators Program for the Eviction Assistance Initiative; and **(3)** a public hearing to be conducted on March 9, 2022 to receive comments on the proposed use of funds for Reprogramming Budget No. 1 (Substantial Amendment No. 3) to the FY 2021-22 Action Plan - Financing: This action has no cost consideration to the City (see Fiscal Information)

### BACKGROUND

On August 18, 1993, Resolution No. 93-3001 established specific timeframes for the obligation and expenditure of CDBG Funds. Funds are to be obligated within 12 months and expended within 24 months of budget adoption. On March 28, 2007, Resolution No. 07-0992 enhanced the City's existing expenditure policy with additional benchmarks. Additional time to obligate and expend funds may be granted by City Council.

Timely expenditure of CDBG Funds by entitlement cities continues to be a primary concern of the U.S. Department of Housing and Urban Development (HUD). HUD requires that cities expend CDBG Funds so that, at least 60 days prior to the start of a new program year, the unexpended balance of CDBG Funds should be less than 1.5 times the cities' CDBG allocation amount for the current year.

For FY 2021-22, a review of the projects based on the timely expenditure policy (including the benchmarks), identified CDBG unspent funds remaining in 7 projects recommended for extension for a total of \$961,185 and unspent funds remaining in 15 projects recommended for reprogramming for a total of \$2,569,591.

To ensure the City will meet HUD's expenditure requirements in a timely manner in 2022, staff recommends moving forward with budgeting of unspent CDBG Funds in the amount of \$2,569,591 for the Residential Development Acquisition Loan Program, as follows:

Recommended use of unspent CDBG funds - \$2,569,591

- Residential Development Acquisition Loan Program - \$2,569,591

Due to HUD spending limits, these unspent CDBG Funds cannot be reprogrammed to the public service category. The recommendation is to move unspent funds to the Residential Development Acquisition Loan Program (RDALP), to allow for more eligible single-family and multi-family housing activities. This recommendation addresses an identified need and priority to develop/increase housing units.

In addition, staff recommends that CDBG-COVID Funds be included in this reprogramming, to use unspent CDBG-COVID Funds in the Digital Navigators Program in the amount of \$250,000 for the Eviction Assistance Initiative, as follows:

Recommended use of unspent CDBG-COVID funds - \$250,000

(in Digital Navigators Program)

- Eviction Assistance Initiative Program - \$250,000

The Eviction Assistance Initiative (EAI) provides benefits to tenants faced with eviction due to the negative impact of the COVID-19 pandemic and improves services to communities most in need. As the COVID-19 pandemic persists, the impact to housing instability has increased. Additional funding will be made available to the EAI Program through the American Rescue Plan Act/Coronavirus Local Fiscal Recovery Fund (ARPA/CLFRF), but a new solicitation will be required to put those funds under contract. To ensure ongoing uninterrupted services while the ARPA/CLFRF procurement process is completed, reprogramming of \$250,000 from the Digital Navigators Program to the EAI Program would be used to increase the current EAI Program contract funded through CDBG-COVID. Reprogramming of unspent funds in the Digital Navigators Program will have no impact on that program, since it is utilizing other sources to provide services.

The Community Development Commission (CDC) Financial Monitoring/Performance Standards Committee met on December 13, 2021, to review and make recommendations to the City Manager's proposed extensions and reprogramming of CDBG and CDBG-COVID Funds. Following discussions with staff, no amendments were recommended. The CDC Financial Monitoring/Performance Standards Committee voted to recommend approval to the full CDC.

On January 6, 2022, upon recommendation by the CDC Financial Monitoring/ Performance Standards Committee, the CDC reviewed and approved the proposed extensions and reprogramming of CDBG and CDBG-COVID Funds. No amendments were recommended.

On January 24, 2022, the City Council's Government Performance and Financial Management (GPFM) Committee was briefed on the need to maintain ongoing compliance with HUD's timely expenditure policy and the FY 2021-22 CDBG extensions and reprogramming recommendations and the additional CDBG-COVID reprogramming recommendation.

A summary of the proposed Reprogramming Budget No. 1 (Substantial Amendment No. 3) to the FY 2021-22 Action Plan will be published in the Dallas Morning News on or about January 30, 2022 to provide an opportunity to submit written comments through March 8, 2022.

Federal regulations require that a public hearing be held on proposed Reprogramming Budget No. 1 (Substantial Amendment No. 3) to the FY 2021-22 Action Plan.

In response to the COVID-19 pandemic, HUD issued a waiver that allows grantees to hold virtual meetings using an on-line platform in lieu of holding in-person public hearings to fulfill the public hearing requirements under HUD regulations and the City's Citizen Participation Plan, so long as national or local public health authorities recommend social distancing limiting public gatherings for public health reasons to limit the spread of COVID-19.

In accordance with the HUD waiver and based on local and national public health authority guidance recommending social distancing that limits public gatherings for public health reasons to prevent the spread of COVID-19, holding a virtual public hearing using an on-line platform on March 9, 2022, satisfied the requirements set forth in HUD regulations and the City's Citizen Participation Plan

This item authorizes preliminary adoption of proposed Reprogramming Budget No. 1 (Substantial Amendment No. 3) to the FY 2021-22 Action Plan and calls for a public hearing to be held on March 9, 2022.

### **PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)**

On August 18, 1993, City Council authorized establishing specific timeframes for the obligation and expenditure of CDBG Funds by Resolution No. 93-3001.

On March 28, 2007, City Council authorized enhancing the City's existing expenditure policy with additional benchmarks by Resolution No. 07-0992.

On January 6, 2022, the Community Development Commission recommended extending and reprogramming CDBG and CDBG-COVID project funds.

The Government Performance and Financial Management Committee will be briefed on the need to maintain ongoing compliance with HUD's timely expenditure policy and proposed Reprogramming Budget No. 1 (Substantial Amendment No. 3) to the FY 2021-22 Action on January 24, 2022.

### **FISCAL INFORMATION**

This action has no cost consideration to the City. A March 9, 2022 agenda item will include a request to increase and establish appropriations in departments for Reprogramming Budget No. 1 (Substantial Amendment No. 3).

#### **CDBG - Source of Funds:**

Reprogramming Budget No. 1 (Substantial Amendment No. 3)

- Unspent Prior Year CDBG Funds - \$2,569,591

**CDBG - Use of Funds:**

- Residential Development Acquisition Loan Program - \$2,569,591

**CDBG-COVID - Source of Funds:**

Reprogramming Budget No. 1 (Substantial Amendment No. 3)

- Unspent CDBG-COVID funds in Digital Navigators Program - \$250,000

**CDBG-COVID - Use of Funds:**

- Eviction Assistance Initiative Program - \$250,000