

Council Business Meeting

March 5, 2019

Agenda Item	CDBG Allocation to Avoid Timeliness Penalty	
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SUMMARY

The Department of Housing and Urban Development (HUD) calculates the ratio of unexpended Community Development Block Grant (CDBG) funds to the City of Ashland annual grant award in May of each year to determine whether the City is meeting the HUD standards for the timely expenditure of CDBG funds. When prior year unexpended carryover amounts are greater than 1.5 times the annual CDBG allocation, then the City is considered “untimely” by HUD’s standards.

Staff is requesting to allocate \$20,000 to audible signals to be expended by May 2, 2019 in order to avoid being found untimely a second year in a row which would put the excess funds at risk of recapture by HUD.

POLICIES, PLANS & GOALS SUPPORTED

2015-2019 CDBG Consolidated Plan

PREVIOUS COUNCIL ACTION

[CDBG award April 17, 2018](#)

BACKGROUND AND ADDITIONAL INFORMATION

The City receives approximately \$175,425 in CDBG funds annually. Due to the HUD annual test for timely expenditure of CDBG funds the City cannot have more than \$263,137 in our CDBG line of credit on the date of the next annual test, May 2, 2019. On that date the City will have a total of \$263,137 and an additional \$80,000 in CDBG funds that have yet to be expended by subrecipients that have been awarded funds in prior years as well as some unallocated funds. This amount would constitute 1.99 times the annual award allocation. As such, in addition to subrecipients expending their awards (see table below), the City will need to ensure an additional 20,000 in CDBG funds is expended by May 2, 2019.

The HUD CDBG program has a stipulation that grant administrators plan for the timely expenditure of funds. This is called timeliness, timeliness refers to how quickly the grantee is able to commit and expend CDBG funding. The program rule for timeliness is that the grantee cannot have more than 1.5 times their annual allocation sitting in their line of credit at the U.S. treasury. The analysis for timeliness is calculated 60 days prior to the end of the grantees program year (June 30th is the end of the program year for the City of Ashland.) If a grantee has more than 1.5 times their allocation in their line of credit they will be required to submit a “work out plan” to HUD to explain how the money will be utilized to avoid chronic timeliness issues. A grantee that shows chronic timeliness issues is at risk of having HUD withhold future grants until the grantee can expend existing resources. Due to the City’s small allocation, the City reaches the 1.5 timeliness threshold more quickly than most grantees. Given the current formula allocation the City can have up to \$238,089 in funding in the line of credit without triggering the timeliness rule. Previously allocated but yet unexpended grant funds count toward this total, as well as the amount of unallocated carry over funds.

Last year, in May of 2018, the City was \$15,359 over the 1.5 threshold for CDBG funding and therefore did not meet the HUD timeliness test. Consequently, the City was required to submit a workout plan to tell HUD how the City would expend the backlog of funds. Later that month the City allocated \$307,051 in CDBG funding to eligible projects. While the City provided HUD with a reasonable plan for expending \$200,000 of CDBG funds quickly on

two separate site acquisitions for affordable housing (\$150,000) and the fall prevention program (\$50,000). The two property acquisitions will not expend the funds prior to the timeliness test. Specifically, the City committed \$100,000 in CDBG funding to Columbia Care to help that organization acquire a section of land on which to build a multifamily affordable housing complex. Columbia Care staff and City staff worked together to complete the HUD environmental assessment requirements. Through that process it became evident that the storm water plan required to meet National Environmental Protection Act (NEPA) regulations would cost Columbia Care more money to install and maintain than the amount of federal funding the City was providing. Columbia Care was not required to meet the NEPA storm water standards if they did not utilize CDBG funding. So Columbia Care opted to decline the CDBG award so that that organization could move forward with their acquisition of the property in a timely manner. This \$100,000 will be rewarded in the coming CDBG application process. Additionally, Habitat for Humanity was awarded \$50,000 in CDBG funds to acquire property, but to date they have not yet executed a land purchase agreement for the site identified in their application. Due to these subrecipient projects being canceled or delayed the City was not able to expend adequate CDBG funds to meet the upcoming HUD timeliness test.

The City needs to commit \$20,000 in unallocated funds to a new project which can expeditiously utilize the funds in order to reduce the City’s available CDBG fund balance below the maximum amount of carryover allowable.

The City’s Public Works Department can utilize \$20,000 in CDBG funds to purchase audible crosswalk signals to be placed in identified areas throughout the City. This activity would be an eligible use of funding and provide a community wide benefit for peoples with disabilities. The \$20,000 award to the Public Works Department could be expended immediately. This expenditure, along with the other funding already committed to projects expected to be completed by May 2, 2019 would allow the City to meet the timeliness test prior to the close of the grant year and avoid any recapture of funds.

Current sub recipients with CDBG award balances	Allocation	Drawn or Expected Draw before May 2, 2019	To be expended after May 2, 2019
Maslow Project	\$9,857	\$9,857	\$0
St. Vincent De Paul	\$16,457	\$16,457	\$0
Ashland Fire and Rescue	\$50,000	\$10,000	\$40,000
City/Admin	\$35,085	\$35,085	\$0
Habitat for Humanity	\$50,000	\$0	\$50,000
Columbia Care (canceled Project)	\$100,000	\$0	To be re-awarded in 2019
Unallocated Carryover	\$35,883.00	\$0	To be awarded in 2019 and to the proposed audible signal project
HUD Line of Credit Surplus	\$33,698.00	\$0	\$0
Revolving Loan Fund	\$18,222.13	\$0	\$0
Subtotal	\$349,202	\$71,399	
Proposed Award: Audible Signals	\$20,000	\$20,000	

As shown in the table if all of the grantees that have been awarded CDBG funds were to complete their projects by May 2, 2019, then the City could draw down the funding and meet the timeliness test. However, contracts for 2018 funding were executed at a much later date than in previous years due to a variety of circumstances including a HUD accounting issue which kept HUD from releasing funds to grantees, and the government shut down which delayed the availability and distribution of 2018 grant funds. Grantees have until December of 2019 to expend the funds entirely. Current grantees are expected to expend approximately \$71,000 in grant funds prior to May 2nd. Allocating an additional \$20,000 in grant funds to an eligible activity that can expend the funds quickly will help the City avoid losing funding.

FISCAL IMPACTS

The City has the CDBG funding in its treasury account to allocate to projects. The City is in danger of losing approximately \$15,000 in CDBG funding if the City is not able to expend a total of \$86,065 in grant funds prior to May 2, 2019.

STAFF RECOMMENDATION

Staff recommends that the Council award \$20,000 to the Public Works Audible Crosswalk Project

ACTIONS, OPTIONS & POTENTIAL MOTIONS

I move to approve the award of \$20,000 in CDBG funding to the Public Works Audible Crosswalk Project.

REFERENCES & ATTACHMENTS

N/A