

<b>Municipal Building 625 52nd Street – Room 202</b>	<b>Community Development Block Grant Committee Agenda</b>	<b>Tuesday, July 13, 2010 6:00 p.m.</b>
<i>Aldermen David Bogdala, Jesse Downing, Daniel Prozanski, and Theodore Ruffalo Ron Frederick, Art Landry, and Anderson Lattimore</i>		

Call to Order and Roll Call

*Approval of Minutes from June 15, 2010*

1. 2011 Community Development Block Grant (CDBG) Fund Allocation Plan. PUBLIC HEARING

Public Comments

Committee Comments

Staff Comments

*Adjournment*

**Community Development Block Grant Committee**  
**Minutes**  
**Tuesday, June 15, 2010**

**MEMBERS PRESENT:** Alderman David Bogdala, Alderman Jessee Downing, Alderman Daniel Prozanski, Alderman Theodore Ruffalo, Arthur Landry and Ronald Frederick

**MEMBERS EXCUSED:** Anderson Lattimore

**STAFF PRESENT:** Jeff Labahn and Anthony Geliche

The meeting was called to order by Alderman Bogdala at 6:03 p.m. Roll call was taken.

**Approval of Minutes from the February 3, 2010 Meeting *unanimously (6 ayes; 0 noes).***

**1. Election of Chairman and Vice-Chairman**

Alderman Bogdala opened the floor to accept nominations for Chairperson.

*A motion was made by Alderman Prozanski to nominate Alderman Bogdala as Chairperson. The motion was seconded by Mr. Frederick.*

There were no additional nominations. Nominations were closed. Alderman Bogdala accepted the nomination.

*The motion passed unanimously (6 ayes; 0 noes).*

Alderman Bogdala opened the floor to accept for nominations for Vice-Chairperson.

*A motion was made by Alderman Bogdala to nominate Alderman Ruffalo as Vice-Chairperson. The motion was seconded by Mr. Frederick.*

There were no additional nominations. Nominations were closed. Alderman Ruffalo accepted the nomination.

*The motion passed unanimously (6 ayes; 0 noes).*

**2. Overview of CDBG Program**

Alderman Bogdala thanked Tony Geliche for putting together information on the CDBG Program for the new committee members. He welcomed the new members to the committee and welcomed back the returning members whose experience will be useful. Alderman Bogdala said he had asked Mr. Geliche for an overview of what has been done in the past in the CDBG Program and where we currently are which will be looked at in Item 3.

Mr. Geliche, Community Development Specialist, said the CDBG fact sheet provided is for the general public, public officials, and others identifying how a non-profit organization may apply for CDBG funds and how the funds can be used.

The City of Kenosha can develop their own program and set its own priorities, but we must comply with HUD regulations and meet one of the following three (3) criteria: 1) benefit low to moderate income families; 2) eliminate blight; or 3) meet an urgent need. An urgent need is usually the result of a major disaster threatening the health and welfare of the community. Seventy percent of CDBG funds spent over a three (3) year period must benefit low to moderate income people. Over the years, City of Kenosha CDBG funds used have benefited 90 – 98% low to moderate income people. 100% of the funds granted to the Public Works program benefited low to moderate income people. Redevelopment activities are used to assemble property. The City has assembled property and then rebuild houses. The houses are sold to low to moderate income families. Road improvements can be done in our target areas. All roads get improved in the City, but CDBG funds need to be used in areas where 51% of the people are low to moderate income. We use census data to determine where to use the CDBG funds for road improvements. Road improvements include sidewalks, sewers, drainage issues., etc. The Code Enforcement Programs can be funded with CDBG dollars. When CDBG funds are used for this program, the City needs to provide new services or show an increase in services. Funds can be used to make properties handicap accessible.

Historic Preservation is another area CDBG funds can be used. The funds do not benefit low to moderate income people, but eliminate blight in the City. We have provided funds for Rhode Center for the Arts and Kemper Center. If CDBG funds are used for activities that require relocation, CDBG funds can be used to provide relocation payments if eligibility requirements are met.

*Alderman Prozanski left.*

Interim Assistance may be used to stop deterioration of an area until a permanent solution is implemented. Examples are improvements in streets, sidewalks, parks, etc. Loss of rental income is used to establish rental income programs for displaced low-income families. CDBG funds can be used to purchase, build, reconstruct, rehab, or install the distribution line and facilities of privately owned utilities. Alderman Bogdala asked if the City has ever funded privately owned utilities. Mr. Geliche said we have not funded privately owned utilities. We have provided funding for sewer lines from homes to the street in emergency situations. Alderman Bogdala suggested that possibly interim assistance and privately owned utilities could be tied together.

Mr. Geliche continued discussing the CDBG fact sheet by reviewing the Housing Activities that CDBG funding can be used for. Rehab or construction of private or public buildings can be funded with CDBG funds if the buildings are used by at least 51% low to moderate income people. Financial assistance can be in the form of grants, loans, loan guarantees, and interest rate supplements. We have done rehab in the past.

*Alderman Prozanski returned.*

CDBG funds can be used to provide direct assistance to low to moderate income people so they can buy existing homes. CDBG funds can be used for housing services in relation to the HOME Program including housing counseling, energy audits, management of tenant-base rental assistance, etc. CDBG can be used to inspect properties for lead paint hazards and to reduce or eliminate lead paint hazards. CDBG funds can only be used for new home construction except by a Community-Based Development Organization (CBDO) who may build new housing for the purpose of “neighborhood revitalization” or community economic development projects.

Nonprofit Activities such as job-related services by a CBDO that fall under a neighborhood revitalization or community economic development project may be funded by CDBG. Also

technical assistance provided by nonprofits to carry out a neighborhood revitalization or economic development project such as technical assistance provided by Wisconsin Women's Business Initiative Corporation (WWBIC) can be funded with CDBG monies.

Public Facilities and Services is the category where we see the most applications. Note that no more than 15% of the total CDBG money can go into the Public Service category. Mr. Frederick asked if the Committee could develop an Allocation Plan that allows the funds to be combined and used for one project in a targeted area. Mr. Geliche said that could be done. The Allocation Plan is the guide used to show how the City allocates the funds. Public input is required. We did something similar to that with Neighborhood Improvement Funds. It could work with Public Service funds. Mr. Frederick said the project could compliment Neighborhood Improvement Funds and possibly utilize Economic Development funds. Alderman Bogdala said aldermen have had discussion in the past regarding a similar option and he tends to agree with Mr. Frederick. Mr. Geliche said the Allocation Plan is the tool for allocating funds. Alderman Bogdala noted we are locked into the approved 2010 Allocation Plan but will be preparing the 2011 Allocation Plan in the near future. Mr. Landry said in the past we have given large funding amounts to one group over a span of 2-3 years. Mr. Geliche said we can receive between 20-25 applications in the Public Service category. Public facilities provides improvements to the facilities such as a new roof or HVAC.

Economic Development Activities use CDBG funds to create jobs. In the early 1990s, CDBG worked with KABA to provide loans to develop the Industrial Park which created jobs. One job was created per every \$35,000 loaned. KABA administered the funds and then received the loan money back. WWBIC is doing the same thing now. WWBIC provides loans and technical assistance to new businesses with five (5) or less employees. Micro-enterprise businesses are more risky so lenders are less willing to finance these endeavors. Section 108 Loan Guarantee involves pledging up to five (5) years of the City's CDBG entitlement as back up for a loan. The City can borrow money for less, so we would complete a project today and pledge future CDBG funds to pay for it. We can not refinance existing debt with CDBG funds.

Administration and Planning Activities such as the overall management, coordination, monitoring activities for compliance with regulations, providing information to the public and planning such as long-range planning can be paid for with CDBG funds. Fair housing activities are also covered under this category. HUD recently conducted an audit. They may tell us we need to do more with fair housing.

Alderman Ruffalo asked if future CDBG funds had to be used in the Section 108 activity. Mr. Geliche said they do. Alderman Ruffalo asked if a non-profit agency was able to use Section 108 funds. Could the City become a broker for the funds? Mr. Geliche said he did not know. He would have to look into that. Section 108 has only been used twice for the Stationside Village property assembly and the Sixth Avenue Mall removal.

Mr. Geliche said some of the ineligible activities include alterations to government buildings except to make buildings ADA accessible. The bathroom and front door renovation to the Municipal Building would have been CDBG eligible. We could provide funds to day care facilities located in churches if participants do not have to be affiliated with the church and they do not talk about religion. Alderman Bogdala asked how this monitored. Mr. Geliche said language is in the contract and through on-site visits. The on-site visit is a surprise visit and we usually try to meet with the parents at that time.

Mr. Geliche said this is a quick overview of the activities that are eligible and not eligible. Alderman Bogdala asked how frequently HUD reports are submitted. Mr. Geliche said each time a recipient submits a reimbursement claim it is reported online to HUD. We file on-going

monthly and annual reports also. Mr. Geliche said we can prepare a report from the HUD system at any time. Alderman Bogdala said he is interested in seeing a report. Mr. Geliche said he can prepare a report showing the activity, funding amount, balance and activities submitted.

Alderman Bogdala asked if and when the new census will have an impact on CDBG low to moderate income boundaries. Mr. Geliche said the reinvestment neighborhood generally bounded by Sheridan Road - 39<sup>th</sup> Avenue – Washington Road - 69<sup>th</sup> Street, probably will not change. This neighborhood was established in the 1970 census and remained the same throughout the 1980's. In the 2000 census, the boundary shifted to 7<sup>th</sup> Avenue which included HarborPark, but we know that is not a low to moderate neighborhood today. If the area does change, it will not be known until at least 2012. Alderman Prozanski asked what the income threshold is. Mr. Geliche said 50% of the Kenosha County median which is approximately \$56,000 for a family of four (4). It is totally different from the poverty numbers used by the federal government.

*A motion was made by Alderman Ruffalo and seconded by Alderman Prozanski to receive and file the Overview of CDBG Program. The motion passes unanimously (6 ayes; 0 noes).*

### **3. Additional 2010 Funds**

Alderman Bogdala said in his discussions with Mr. Geliche there are additional funds and some unallocated funds not approved by the Common Council that need to be dealt with. We do not need to act on them tonight, but we would like to discuss our options and then we can act on them at a later date.

Mr. Geliche said initially funding is approved based on the prior year's funding. Our allocation was based on \$1,070,919. We knew we were going to receive an increase in funding, but did not know how much. In mid-April we received notice that we would receive \$92,094 in additional funding. There also is \$15,000 in funds the Common Council did not award for a total funding amount of \$1,163,013. We currently have \$107,094 in unallocated funds. According to the 2010 Allocation Plan, any increase goes to the applications on file.

The \$15,000 not allocated by the Common Council is in the Economic Development category. A range of 0-12% was set for funding in the Economic Development category so the funds can go to either Economic Development or Neighborhood Improvement Fund categories. We have not had the luxury of an increase, usually it's been a reduction in funding. Attached are minutes from the application hearings and allocation meetings. If committee members wish to see any of the applications, they may stop by the office. Mr. Geliche said the spreadsheet provided shows all applications submitted and the funding they received, if any. All applications are eligible even if they did not receive any funding.

Mr. Frederick asked if the 2010 funds could be carried over to 2011. Mr. Geliche said he did not know. The 2010 Allocation Plan said any increase would be given to applications on file. Mr. Landry suggested rolling the Economic Development funds into next year. Mr. Frederick asked the committee to consider amending the language in the 2010 Allocation Plan. Alderman Ruffalo asked if the funds could be moved into a fund that is not currently being used. Mr. Geliche said the 2010 Allocation Plan would have to be amended as would it for Mr. Frederick's comment. Alderman Bogdala said if we agree there are other options for 2011, perhaps in doing a target area, could we roll the funds into the 2011 fund. Mr. Geliche said he would have to talk to the City Attorney. An amendment to the 2010 Allocation Plan would require approval of the Plan Commission and Common Council also.

Alderman Bogdala said he met with Administration and Zohrab Khaligian, Community Development Specialist, regarding downtown. If CDBG is looking to target a certain area, could the unallocated CDBG funds and the Downtown BID funds be combined and used with the 2011 allocated funds? Mr. Geliche said the Downtown BID would have to return their funds. The Allocation Plan provides direction on how to designate unallocated funds. We may be able to request the return of the Downtown BID funds. There is a 15% cap on Public Service and 20% cap on Planning and Administration. Alderman Bogdala said there are \$300,000 in funds not being used that could be used in target areas. Mr. Geliche said we are in a better place than we have been in other years. Mr. Landry said his preference is to roll the funds over to next year. Alderman Bogdala asked if the 2010 Allocation Plan could be amended. Mr. Geliche said yes, it can. Alderman Bogdala said amending the 2010 Allocation Plan knowing they have an additional \$300,000 is something to consider.

Mr. Landry asked if there is a way to see if any agency is really affected by just receiving a small portion of what they asked for. Mr. Geliche said he did not see anyway to find out that information.

Alderman Bogdala asked if the recipients have been notified that the additional funds are available. Mr. Geliche said they have not received official notification of the increase yet.

*A motion was made by Mr. Landry and seconded by Alderman Downing to receive and file information on Additional 2010 Funds. The motion passed unanimously (6 ayes; 0 noes).*

#### **4. 2011 CDBG Calendar**

Mr. Geliche noted calendars from 2007, 2009 and 2010 were provided in the packet representing several different scenarios for the CDBG application process. The 2009 calendar is the one that has been used the most in the past. If we do not meet the deadline, we can ask HUD for an extension. We did not meet our end of year deadline last year and received an extension from HUD. We have not gone to the Common Council with the 2010 contracts because we have not received our official funding amount from HUD, and do not want to have to amend the contracts.

Each year we have a public hearing to assess the needs of the community. The public hearing assesses what we should spend our funds on. We send out notification of the public hearing to our mailing list. The public is able to generalize what the funds should be spent on in the City.

The Allocation Plan is developed each year by the CDBG Committee and forwarded to Plan Commission, Finance Committee, and Common Council for approval.

We send notification of the application period to our mailing list of approximately 60-70 people/agencies. The application is also posted on our website, a press release is sent out, and information is available on cable. The application period is usually 30 days. Applications are delivered to the CDBG Committee. Applicants are notified of the interview dates and times. Each applicant is given a 15-minute interview in which they sell their proposal and the committee asks questions. Interviews are usually over a two (2) day period. One (1) to two (2) weeks later the committee meets to make their recommendations. The recommendations are published in the Kenosha News for a 30-day comment period. This is a HUD requirement. During this 30-day comment period, we seek Plan Commission and Finance Committee approval. Following the 30-day comment period, the recommendations are forwarded to Common Council for approval. Once the recommendations are approved by Common Council, they are sent to HUD for approval. We then wait for Congressional release of the funds.

Mr. Geliche suggested the committee look at the calendar and their open dates so we can set the CDBG calendar. Mr. Frederick said the CDBG calendar will be based on whether the CDBG Committee chooses to request applications as in the past or move to a RFP process. Mr. Frederick said applications will be very general. With an RFP, this committee will tell the applicants exactly what we want and they will have to be very specific. If we choose to stay with the application process, the interviews will move quickly. If we request RFPs, the process will be more difficult since it will be the first time the committee will have used this process. Alderman Ruffalo agreed.

Mr. Frederick said we have a large targeted area to work with, but there is nothing preventing us from narrowing the RFP to a smaller area within the targeted area and being very specific as to what we wish to accomplish in this smaller area. Mr. Landry said we will still have to interview the applicants whether we request applications or RFPs. Alderman Bogdala said with the RFP, the committee will be setting the direction and what kind of proposals we want to see.

Mr. Geliche suggested the next meeting be a public hearing on the new RFP concept to see if it will work. This meeting will then fulfill the public hearing requirement for building the Allocation Plan. Alderman Bogdala said it is a good idea to let the people and agencies know we are having a discussion regarding an RFP and that the committee may be moving in this direction, and also to find out where the target areas should be.

Mr. Frederick said the RFP should be a combination of enforcement, job development and social services in a concentrated area with funding over a period of time to make an impact. The closest and most recent example is near Marquette University in Milwaukee. Possibly the CDBG funds could be complimented with Kenosha County resources. The RFP, as an example, could work with juveniles or offenders who are homeless. The RFP could be whatever we want it to be. Mr. Geliche said an attempt was made to do this with our Neighborhood Revitalization Strategies. The program did not do what it was intended to do, so we pulled the program. Mr. Geliche said he feels the RFP concept can be accomplished, but the applicants will have to be educated on the process. It has been done in Chicago. It's just a matter of how to get from A-Z in a timely manner.

Alderman Bogdala said he would like to see a more targeted concept instead of just buying one (1) house here and there. He would like to see the City acquire blocks of houses and large areas, but in order to accomplish this we can't just look at CDBG funds but a coordinated effort with other departments to pool funds and work in the same areas. We also have time constraints to deal with. Alderman Bogdala asked when was the latest that interviews could take place. Mr. Geliche said interviews need to be held in October to meet HUD deadlines. October interviews would allow us to send the recommendations to Common Council for approval the first meeting in December. We would then hope to get our contracts approved by Common Council in January or February. Alderman Bogdala said last year the contracts did not come before the Common Council until much later. Mr. Geliche explained that last year the whole process was behind because of the Consolidated Plan. Alderman Bogdala asked what would happen if we run behind schedule this year. Mr. Geliche said we could ask for an extension and hope HUD approves it. If interviews are held in October, then the recommendations could be sent to committees the first part of November. Alderman Bogdala said he does not want to hurry the process, but Finance Committee and Common Council will be approving the budget at the December 6<sup>th</sup> meeting also. Mr. Geliche said he realizes there are three (3) members of the Finance Committee on the CDBG Committee which is why we try to schedule meetings on opposite weeks of Plan Commission, Finance Committee and Common Council meetings.

Alderman Ruffalo asked where we go from here. Mr. Geliche suggested we conduct our public hearing in a couple of weeks to get input from applicants on the RFP concept. Alderman Bogdala suggested meeting either the week of June 28<sup>th</sup> or July 12<sup>th</sup>. The next meeting was scheduled for Tuesday, July 13<sup>th</sup> at 6:00 pm. Alderman Bogdala said he would like to solicit input from colleagues, departments, and the public. Mr. Geliche said he would draft a letter for recipients, Alderman, Plan Commission, etc.

Alderman Prozanski suggested a possible hybrid between the two (2) processes – the application and the RFP. There may be some organizations that should get funds that do not fit into the RFP concept. Mr. Geliche said that is possible. There are some cities that do not take any applications. We have established categories, but we don't have to use the categories. We do have to use percentages. We can add additional categories or change them. It is up to the committee to establish the categories. Alderman Bogdala said it is up to the committee to set the Allocation Plan. Mr. Geliche said HUD receives all the CDBG information such as minutes and background information for setting the Allocation Plan. They want to know what we did to solicit citizen comments and how we responded to their comments.

*A motion was made by Alderman Downing and seconded by Alderman Ruffalo to receive and file the 2011 CDBG Calendar. The motion passed unanimously (6 ayes; 0 noes).*

#### **Public Comments**

Kathryn Comstock, 3803 Eighth Avenue, Kenosha, asked about the funds from HUD. Does the City get them in a fixed amount or as a draw down? Mr. Geliche said the funds are a line of credit and the City draws them down each time a reimbursement is submitted. We have an estimated funding amount at this time, we just have not received official notification on our funding. Ms. Comstock asked when the last monitoring visit was conducted. Mr. Geliche said the last monitoring visit was in May. Ms. Comstock asked what if the CDBG Committee changes to the RFP process and people at the public hearing say the City needs to sell more houses, could the RFP request proposals for rehab of prisoners. Mr. Geliche said the City would have to provide justification for sending the RFP out with these particular specifications. We would have to provide supporting documentation. Ms. Comstock asked if the public could challenge the RFP. Mr. Geliche said yes, they could challenge the RFP, which is why the City holds a public hearing.

#### **Committee Comments**

Alderman Bogdala thanked all the new committee members for their time. This committee will have their work cut out for them. He welcomed back the continuing members who will provide needed feedback. Alderman Bogdala thanked the committee members for their support in electing him as Chairman of the committee and said he appreciates their trust in him. Alderman Bogdala thanked Mr. Geliche for the time he put into the preparation for this meeting.

#### **Staff Comments**

Mr. Geliche said if any of the committee members need additional information call or email and we will get it to you. If any committee member wishes to review the applications on file, just stop by the office. Our HUD representatives in Milwaukee are a good resource and very responsive if we have questions.

*A motion to adjourn was made by Alderman Ruffalo and seconded by Mr. Landry. The motion passed unanimously (6 ayes; 0 noes).*

The meeting adjourned at 7:30 p.m.

*Certification that the minutes have been approved by the Community Development Block Grant Committee.*

---

*Jeffrey B. Labahn, Secretary*

Draft

<b>FACT SHEET</b>	Community Development Division 625 52 <sup>nd</sup> Street Kenosha, WI 53140 (262) 653-4030	July 13, 2010	Item # 1
Community Development Block Grant Committee			
2011 Community Development Block Grant (CDBG) Fund Allocation Plan. PUBLIC HEARING			

**ANALYSIS:**

A new Allocation Plan for the CDBG Program needs to be developed and approved by the Common Council through the City Plan Commission and Finance Committee. The CDBG Committee is charged with the actual preparation of the plan and recommendation thereof. The Allocation Plan that was developed last year was a one-year plan covering the 2010 program year only.

Factors to be considered when developing the new plan include:

1. A project funded with CDBG funds must fit into one of three (3) Federally identified categories:
  - Low and moderate income benefit
  - Elimination of slums and blight
  - Urgent need (emergency situation-disaster)

70% of the funds expended during the 2011-2013 program years must benefit low to moderate income persons.

2. Funding Categories

Below are the categories and percentages that were used during the 1996-1998, 1999-2001, 2002-2004, 2005-2007, 2008, 2009 and 2010 program years.

Program Category	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public Service	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Planning & Management	20%	19.47%	12.85%	12.85%	12.85%	12.85%	12.85%	20%	20%	20%	20%	20%	20%	20%	20%
Housing & Neighborhood Improvement	41%	41%	49.04%	49.04%	39.75%	40.9%	43.76%	35.25%-40.25%	33.99%-48.99%	42%-55%	47-57%	62-65%	62-65%	62-65%	53-65%
Economic Development	7.55%	7.55%	23.11%	23.11%	7%	6%	3.64%	5%	0%-15%	7%-20%	5-15%	0-3%	0-3%	0-3%	0-12%
Mall Removal	16.45%	16.98%													
Uptown Streetscape					25.4%	25.25%	24.75%	24.75%	16.01%						
U.W. Extension NRSA Implementation										3%	3%				

3. Funding Level Limitations

There are two (2) regulatory limitations on the level of funding. First, Planning, Management and General Administration costs cannot exceed 20% of the total funds expended. Second, only 15% of the total funds can be used for public service projects.

<b>FACT SHEET</b> Community Development Block Grant Committee	Community Development Division 625 52 <sup>nd</sup> Street Kenosha, WI 53140 (262) 653-4030	July 13, 2010	Item # 1
2011 Community Development Block Grant (CDBG) Fund Allocation Plan. PUBLIC HEARING			

#### 4. Planning/Administration

These funds are used to administer the CDBG Program and for comprehensive planning activities which include:

- Comprehensive plans
- Individual project plans
- Community Development plans
- Capital Improvement programs
- Small area and neighborhood plans
- Analysis of impediments to fair housing choice
- Environmental and historic preservation studies
- Functional plans (plans for housing, land use, energy conservation, or economic development)

#### 5. Reduction/Increase in Funding

Direction needs to be provided on what happens if the City receives additional funding as well as if there is a reduction in funding.

#### 6. Reprogramming of Funds

Direction needs to be provided on how funds designated to be reprogrammed will be reallocated.



Tony Geliche, Community Development Specialist  
/u2/acct/cp/csusans/GELICHE/CDBG/2011PY/July 13 Mtg/Fact-Allocation Plan.odt



Jeffrey B. Labahn, Director of City Development

**Community Development Block Grant  
Fund Allocation Plan  
(2010)**

---

***I. INTRODUCTION***

The Community Development Block Grant's primary objective is the development of viable communities by creating suitable living environments, maintaining and creating decent housing, and creating and maintaining job opportunities for low and moderate income persons.

Communities which are eligible for Community Development Block Grant (CDBG) funds, otherwise known as "entitlement cities," must develop an Allocation Plan stating community goals and objectives on how CDBG funds should be used and spent.

The Fund Allocation Plan has been prepared by the CDBG Committee on Community Development Block Grants to provide a basis for funding decision for Program Year 2010.

The committee was established in order to:

1. Develop an Allocation Plan
2. Reexamine the process for allocating CDBG funds
3. Become actively involved in the awarding of CDBG applications by conducting interviews of all potential applicants, and making recommendations to the Finance Committee and City Plan Commission on which projects should be funded.

The Fund Allocation Plan establishes program categories, funding percentages, and the basis for allocating dollar amounts.

***II. FUNDING CATEGORIES***

There are four major funding categories: Public Service, Economic Development, Housing and Neighborhood Improvement, and Planning/Management. Proposals must fall within one of the four mentioned categories and will be evaluated on that basis. Projects will be competing for the funds allocated to the respective category. The types of projects that will be considered under each category are as follows:

***PUBLIC SERVICE***

- Project/Program Delivery Costs
- Equipment to Support Program Services

***ECONOMIC DEVELOPMENT***

- Revolving Business Loan programs
- Job Creation for Low/Moderate Income Benefit
- Commercial Revitalization

***HOUSING AND NEIGHBORHOOD IMPROVEMENT***

- Housing Rehabilitation
- Code Enforcement Programs
- New Housing Construction
- Historic Preservation
- Neighborhood Projects

- Public Improvements
- Facility Improvements
- Revolving Loan Fund

#### ***PLANNING/MANAGEMENT***

- CDBG Implementation
- Comprehensive Planning
- Studies and Long Range Planning

The programs listed above must meet one of the following National Objectives:

- benefiting low and moderate income persons,
- addressing slums or blight,
- meeting a particular urgent community development need.

The programs must also comply with all Department of Housing and Urban Development guidelines and regulations stipulated in 24 CFR Part 570 of the Housing and Community Development Act of 1987.

### ***III. EVALUATION CRITERIA***

The following criteria will be used to evaluate proposals. Proposals should address the criteria in order to be considered for funding.

#### **HOUSING PROJECTS**

Proposals must be either a Single Family Project or a Multi-Family Project.

##### **Single Family Project**

To be considered for funding as a Single Family Project, the proposal must be one of the following:

- acquisition/rehabilitation
- demolition
- new construction

##### **Multi-Family Project**

To be considered for funding as a Multi-Family Project, the proposal must be one of the following:

- acquisition/rehabilitation of two or more unit dwellings
- need to be structures that were built as multi-family dwellings
- construction of two or more adjoining units, but not more than 8 units

Proposals must also address the following:

##### **Plan Consistency**

To be considered for funding as a Housing Project, the proposal must be contained in one of the following:

- Consolidated Plan
- Neighborhood Plan
- Area Plan
- Agency Plan
- Local Neighborhood Strategies

Benefit

To be considered for funding as a Housing Project, the proposal must benefit:

- 100% low-to-moderate income households for single family projects
- 51% low-to-moderate income households for multi-family projects

Leveraging

To be considered for funding as a Housing Project, the proposal must demonstrate:

- leveraging of funds (private, bank, HOME, HRCI, etc.)
- CDBG is not the sole source of funding
- the ability to cover the cost of implementing the plan

Location

To be considered for funding as a Housing Project, the proposal must be located within the City's Reinvestment Neighborhood.

Emphasis will be placed on proposals that address activities in local Neighborhood Strategies.

**PUBLIC IMPROVEMENT PROJECTS**

Proposals must address the following:

Plan Consistency

To be considered for funding as a Public Improvement Project, the proposal must be contained in one of the following:

- Consolidated Plan
- Neighborhood Plan
- Area Plan
- Local Neighborhood Strategies

Benefit

To be considered for funding as a Public Improvement Project, the proposal must benefit:

- 51% low-to-moderate income households, or
- eliminate slums or blight

Leveraging

To be considered for funding as a Public Improvement Project, the proposal must demonstrate:

- leveraging of funds
- CDBG is not the sole source of funding
- the ability to cover the cost of implementing the plan

Location

To be considered for funding as a Public Improvement Project, the proposal must be located within the City's reinvestment Neighborhood.

Emphasis will be placed on proposals that address activities in local Neighborhood Strategies.

## **PUBLIC SERVICE PROJECTS**

Proposals must address the following:

### **Plan Consistency**

To be considered for funding as a Public Service Project, the proposal must be contained in one of the following:

- Consolidated Plan
- Agency Plan
- Local Neighborhood Strategies

### **Benefit**

To be considered for funding as a Public Service Project, the proposal must demonstrate that:

- 51% of the persons directly benefiting are from low-to-moderate income households, or
- 51% of the persons residing in the area being served are low-to-moderate income

### **Project Type**

To be considered for funding as a Public Service Project, the proposal must demonstrate that:

- the project is a new project, or
- the project is a quantifiable increase in a service already being provided

### **Leveraging**

To be considered for funding as a Public Service Project, the proposal must demonstrate

- leveraging of funds
- CDBG is not the sole source of funding
- the ability to cover the cost of implementing the plan

### **Measurable Outcomes**

Proposals shall list the measurable qualitative outcome that will result from the use of funds.

## **FACILITY PROJECTS**

Funds received (over \$1,000) for the improvement or construction of facilities shall be secured by a property title lien until the property is sold or leased to a for-profit entity or a non-CDBG eligible not-for-profit entity.

Proposals must address the following:

### **Plan Consistency**

To be considered for funding as a Facility Project, the proposal must be contained in one of the following:

- Consolidated Plan
- Neighborhood Plan
- Area Plan
- Agency Plan
- Local Neighborhood Strategies

### **Benefit**

To be considered for funding as a Facility Project:

- the Agency must serve 51% low-to-moderate income persons, or
- the Project must eliminate slums or blight

### Leveraging

To be considered for funding as a Facility Project, the proposal must demonstrate:

- leveraging of funds
- CDBG is not the sole source of funding
- the ability to cover the cost of implementing the plan

### Need

To be considered for funding as a Facility Project, the proposal must demonstrate the following:

- the Project will enhance the services provided by the applicant
- effect or relationship of the project to programming
- the Project is necessary to address conditions detrimental to public health and safety

### Location

Emphasis will be placed on proposals that address activities in local Neighborhood Strategies.

## **ECONOMIC DEVELOPMENT PROJECTS**

Proposals must address the following:

### Plan Consistency

To be considered for funding as an Economic Development Project, the proposal must be contained in one of the following:

- Consolidated Plan
- Neighborhood Plan
- Area Plan
- Agency Plan
- Local Neighborhood Strategies

### Benefit

To be considered for funding as an Economic Development Project, the proposal must benefit:

- 51% low-to-moderate income persons through job creation or retention activities, or
- eliminate slums or blight

### Leveraging

To be considered for funding as an Economic Development Project, the proposal must demonstrate:

- leveraging of funds
- CDBG is not the sole source of funding
- the ability to cover the cost of implementing the plan

### Need

To be considered for funding as an Economic Development Project, the proposal must demonstrate the following:

- the Project will enhance the area in which the Project is located
- the Project is necessary to address conditions detrimental to public health and safety

### Measurable Outcomes

Proposals shall list the measurable qualitative outcomes that will result from the use of funds.

## PLANNING/MANAGEMENT PROJECTS

Proposals must address the following:

### Plan Consistency

To be considered for funding as a Planning/Management Project, the proposal must be contained in one of the following:

- Consolidated Plan
- Neighborhood Plan
- Area Plan
- Agency Plan

### Benefit

To be considered for funding as a Planning/Management Project, the proposal must demonstrate the impact the project will have on the community.

### Leveraging

To be considered for funding as a Planning/Management Project, the proposal must demonstrate:

- leveraging of funds
- CDBG is not the sole source of funding
- the ability to cover the cost of implementing the plan

### Need

To be considered for funding as a Planning/Management Project, the proposal must demonstrate the following:

- the Project will enhance the area in which the Project is located
- the Project will enhance or relate to the Agency's long term programming

## **IV. FUNDING ALLOCATION FOR 2010 (based on a \$1,070,918 allocation)**

The categorical percentages established for the CDBG Program during 2010 are listed below:

<u>Program Category</u>	<u>Percentage of Total Program</u>
Public Service	15%
Planning/Management	20%
Housing & Neighborhood Improvement	53 – 65%
Economic Development	0 – 12%

If there is a reduction in CDBG funds received for the year 2010, reductions will be made across the board. If there is an increase in CDBG funds received for the year 2010, these funds will be allocated based on applications on file.

## **V. REPROGRAMMING OF FUNDS**

All funds available for reprogramming for the 2010 program year are designated to be reprogrammed by the CDBG Committee to implement local Neighborhood Strategies.

## ***VI. TIMELINESS***

All projects funded must be initiated within 12 months of receipt of funds. Agencies requesting extensions shall demonstrate an urgent or critical reason for the extension. Extensions shall not exceed six months.

## ***VII. FUNDING REQUESTS***

Requests for funding will be allowed once per year during the acceptance of applications. The CDBG Committee will not entertain any special requests, whether they are an emergency or not, at any other time throughout the year. Multi-year funding requests may be considered.

## ***VIII. INELIGIBLE ACTIVITIES***

- Government buildings, except to remove architectural barriers
- General government expenses, except administration of CDBG program/comprehensive planning
- Political activities
- Income payments
- Motor vehicles

## ***IX. LIENS***

Liens will be placed on real property that is improved with the use of CDBG funds. Such liens shall remain until the property is sold by the agency receiving the CDBG funds.

/u2/acct/cp/csusans/GELICHE/CDBG/2010PY/AllocationPlan.odt

<b>FACT SHEET</b> Community Development Block Grant Committee	Community Development Division 625 52 <sup>nd</sup> Street Kenosha, WI 53140 (262) 653-4030	July 13, 2010	
Additional Information.			

**ANALYSIS:**

Attached additional information.



Tony Geliche, Community Development Specialist  
[/u2/acct/cp/csusans/GELICHE/CDBG/2011PY/July 13 Mtg/Fact-Additional-Info.odt](#)



Jeffrey B. Labahn, Director of City Development

DEPARTMENT OF CITY DEVELOPMENT  
625 - 52<sup>ND</sup> STREET - ROOM 308  
KENOSHA, WISCONSIN 53140  
(262) 653-4030  
FAX (262) 653-4045  
[www.kenosha.org](http://www.kenosha.org)



CITY PLAN  
REAL ESTATE  
HISTORIC PRESERVATION  
COMMUNITY DEVELOPMENT BLOCK GRANT  
REDEVELOPMENT

**JEFFREY B. LABAHN**  
Director of City Development

## MEMO

**TO:** CDBG Committee

**FROM:** Anthony Geliche, Community Development Specialist *AG*

**DATE:** July 8, 2010

**SUBJECT:** Allocation of Additional 2010 Funds

---

I have discussed the allocation of additional CDBG funds with Attorney Mulligan of the City Attorney's office.

Attorney Mulligan has indicated that the additional funds that have been received are in fact subject to being allocated according to the 2010 Fund Allocation Plan. The 2010 Fund Allocation Plan could be amended and would require proper public hearings prior to any amendments. He cautioned combining these funds with additional funds that may be made available for reallocation. His concern was mainly with the proper public notification of the funding to be discussed.

While not stipulated in the Allocation Plan, Attorney Mulligan also suggested a timely allocation of the additional funds to avoid any confusion pertaining to the funds under discussion.

Let me know if there are any additional questions pertaining to the allocation of the additional 2010 CDBG funds.

AG:sks



## Section 108 Fact Sheet

In this fact sheet:

- ▶ Regulations
- ▶ Eligible applicants and activities
- ▶ Maximum commitment amount
- ▶ Loan Security, repayment, and financing source
- ▶ Interest Rates
- ▶ Loan Default

- ▶  Information by State
- ▶  Print version

### Want More Information?

- ▶ Application Questions
- ▶ Case Studies
- ▶ Contact Information
- ▶ Program Information

### Introduction

Section 108 is the loan guarantee provision of the Community Development Block Grant (CDBG) program. Section 108 provides communities with a source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects.

### Regulations

Regulations governing the Section 108 program may be found at 24 CFR 570, Subpart M, "Loan Guarantees."

### Eligible Applicants

Eligible applicants include the following public entities:

- ▶ metropolitan cities and urban counties (i.e. CDBG entitlement recipients);
- ▶ nonentitlement communities that are assisted in the submission of applications by States that administer the CDBG program; and
- ▶ nonentitlement communities eligible to receive CDBG funds under the HUD-Administered Small Cities CDBG program (Hawaii).  
The public entity may be the borrower or it may designate a public agency as the borrower.

### Eligible Activities

Activities eligible for Section 108 financing include:

- ▶ economic development activities eligible under CDBG;
- ▶ acquisition of real property;
- ▶ rehabilitation of publicly owned real property;
- ▶ housing rehabilitation eligible under CDBG;
- ▶ construction, reconstruction, or installation of public facilities (including street, sidewalk, and other site improvements);
- ▶ related relocation, clearance, and site improvements;
- ▶ payment of interest on the guaranteed loan and issuance costs of public offerings;
- ▶ debt service reserves;
- ▶ public works and site improvements in colonias; and
- ▶ in limited circumstances, housing construction as part of community economic development, Housing Development Grant, or Nehemiah Housing Opportunity Grant programs.

For purposes of determining eligibility, the CDBG rules and requirements apply. As with the CDBG program, all projects and activities must either principally benefit low- and moderate-income persons, aid in the elimination or prevention of slums and blight, or meet urgent needs of the community.

### **Maximum Commitment Amount**

Commitments are limited as follows:

1. Entitlement public entities. An entitlement public entity may apply for up to five times the public entity's latest approved CDBG entitlement amount, minus any outstanding Section 108 commitments and/or principal balances of Section 108 loans.
2. State assisted public entities. A nonentitlement public entity may apply for up to five times the latest approved CDBG amount received by its State, minus any outstanding Section 108 commitments and/or principal balances on Section 108 loans for which the State has pledged its CDBG funds as security.
3. Nonentitlement public entities eligible under the HUD administered Small Cities Program. For a public entity in Hawaii, the maximum commitment amount is five times the public entity's latest grant under 24 CFR 570, Subpart F, minus any outstanding Section 108 commitments and/or principal balances on Section 108 loans.

### **Loan Security**

The principal security for the loan guarantee is a pledge by the applicant public entity or the State (in the case of a nonentitlement public entity) of its current and future CDBG funds. Additional security will also be required to assure repayment of guaranteed obligations. The additional security requirements will be determined on a case-by-case basis, but could include assets financed by the guaranteed loan.

### **Loan Repayment**

The maximum repayment period for a Section 108 loan is twenty years. HUD has the ability to structure the principal amortization to match the needs of the project and borrower. Each annual principal amount will have a separate interest rate associated with it.

### **Financing Source**

Section 108 obligations are financed through underwritten public offerings. Financing between public offerings is provided through an interim lending facility established by HUD.

### **Interest Rates**

Interest rates on interim borrowing are priced at the 3 month London Interbank Offered (LIBO) rate plus 20 basis points (0.2%). Permanent financing is pegged to yields on U.S. Treasury obligations of similar maturity to the principal amount. A small additional basis point spread, depending on maturity, will be added to the Treasury yield to determine the actual rate.

### **Loan Default**

To date, there has been no default under Section 108 resulting in a repayment by HUD. In the event of default requiring a payment, HUD would continue to make payments on the loan in accordance with its terms. The source of payments by HUD pursuant to its guarantee would almost always be pledged CDBG funds. However, HUD does have borrowing authority with the U.S. Treasury if the pledged funds are insufficient.

Content current as of 17 August 2009

### **U.S. Department of Housing and Urban Development**

451 7th Street, S.W., Washington, DC 20410

Telephone: (202) 708-1112 [Find the address of a HUD office near you](#)

this part). Such assistance shall consist, at a minimum, of the certifications required under § 570.704(b)(9) (and actions pursuant thereto).

(c) Nonentitlement public entities eligible to apply for grant assistance under subpart F of this part.

#### § 570.703 Eligible activities.

Guaranteed loan funds may be used for the following activities, provided such activities meet the requirements of § 570.200. However, guaranteed loan funds may not be used to reimburse the CDBG program account or line of credit for costs incurred by the public entity or designated public agency and paid with CDBG grant funds or program income.

(a) Acquisition of improved or unimproved real property in fee or by long-term lease, including acquisition for economic development purposes.

(b) Rehabilitation of real property owned or acquired by the public entity or its designated public agency.

(c) Payment of interest on obligations guaranteed under this subpart.

(d) Relocation payments and other relocation assistance for individuals, families, businesses, nonprofit organizations, and farm operations who must relocate permanently or temporarily as a result of an activity financed with guaranteed loan funds, where the assistance is:

(1) Required under the provisions of § 570.606(b) or (c); or

(2) Determined by the public entity to be appropriate under the provisions of § 570.606(d).

(e) Clearance, demolition and removal, including movement of structures to other sites, of buildings and improvements on real property acquired or rehabilitated pursuant to paragraphs (a) and (b) of this section.

(f) Site preparation, including construction, reconstruction, or installation of public and other site improvements, utilities, or facilities (other than buildings), which is:

(1) Related to the redevelopment or use of the real property acquired or rehabilitated pursuant to paragraphs (a) and (b) of this section, or

(2) For an economic development purpose.

(g) Payment of issuance, underwriting, servicing, trust administration and other costs associated with private sector financing of debt obligations under this subpart.

(h) Housing rehabilitation eligible under § 570.202.

(i) The following economic development activities:

(1) Activities eligible under § 570.203; and

(2) Community economic development projects eligible under § 570.204.

(j) Construction of housing by nonprofit organizations for homeownership under section 17(d) of the United States Housing Act of 1937 (Housing Development Grants Program, 24 CFR part 850) or title VI of the Housing and Community Development Act of 1987 (Nehemiah Housing Opportunity Grants Program, 24 CFR part 280).

(k) A debt service reserve to be used in accordance with requirements specified in the contract entered into pursuant to § 570.705(b)(1).

(l) Acquisition, construction, reconstruction, rehabilitation, or installation of public facilities (except for buildings for the general conduct of government), public streets, sidewalks, and other site improvements and public utilities.

(m) In the case of applications by public entities which are, or which contain, "colonias" as defined in section 916 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 5306 note), as amended by section 810 of the Housing and Community Development Act of 1992, acquisition, construction, reconstruction, rehabilitation or installation of public works and site or other improvements which serve the colonia.

[59 FR 66604, Dec. 27, 1994, as amended at 61 FR 11481, Mar. 20, 1996]

#### § 570.704 Application requirements.

(a) *Presubmission and citizen participation requirements.* (1) Before submission of an application for loan guarantee assistance to HUD, the public entity must:

(i) Develop a proposed application that includes the following items:

(A) The community development objectives the public entity proposes to pursue with the guaranteed loan funds.



## Section 108 Case Studies

Section 108 financing is at work in hundreds of communities across America. Over 1200 projects have been funded since the program's inception in 1978.

Alhambra, California

**Type of Project:** Abandoned Retail Redevelopment

**Number of full-time jobs created:** 200

**Project Description:** Fremont Plaza represents a new and aggressive strategy in economic development for the City of Alhambra. The project is centered around a renovated former Sears retail building. The closing of the Sears store created an immediate loss of over 200 jobs and \$180,000 in sales tax revenue from the City general fund. Initially the Alhambra Redevelopment Agency approached commercial developers, offering traditional subsidy, to redevelop the site. These developers declined to participate, and the Agency made a decision to develop the site itself using Section 108 financing.

Wichita, Kansas

**Type of Project:** Neighborhood Revitalization

**Project Description:** The City of Wichita and Cessna Aircraft Company acquired a large site in a troubled neighborhood to undertake a two-phase project. The first phase included the construction of the Cessna Learning Work Complex, including a light assembly facility and a learning/day care facility to be used by Cessna trainees living in the neighborhood. Since construction, the 21st Street Corridor has seen substantial investment, including a new bank, senior center, police substation, Boys and Girls Club, library, and affordable housing complexes.

Jacksonville, Florida

**Type of Project:** Micro-enterprise Development and Finance

**Number of full-time jobs created:** 702

**Project Description:** The City of Jacksonville used five Section 108 loans to finance development projects with five for-profit developers. The city used 108 financing in lieu of CDBG funds in order to keep those CDBG funds free for other low- and moderate-income uses, such as provision of services. The goal of the five projects is to create a total of 1,130 new jobs for the Jacksonville community.

Worcester, Massachusetts

**Type of Project:** Business Development

**Number of full-time jobs retained:** 135

**Project Description:** The City of Worcester has used Section 108 funds to provide gap financing as a credit enhancement for local business and industry to start-up or expand. The city only draws down the Section 108 funds as it uses them on a project-by-project basis, and therefore incurs no interest costs.

Greenville, South Carolina

**Type of Project:** Neighborhood Revitalization

**Number of full-time jobs created:** 25

**Project Description:** The City of Greenville and the West End Neighborhood Association combined efforts to construct a "public market" as an anchor attraction in the area. Local residents and businesses are provided with a public area to exchange commerce, and 16 businesses, five of them created after the construction of the market, utilize the facility. Associated development that has occurred in the area has produced countless new job opportunities as well as reduced blighted conditions.

Portsmouth, New Hampshire

**Type of Project:** Affordable Housing Construction

**Project Description:** Portsmouth's Mariner's Village apartment complex was a substandard, 600-unit complex, of which only 220 units were still occupied. Through a partnership of local and federal government, as well as state and local housing agencies and the private sector, the complex was replaced with a mixed-use development designed to stabilize the neighborhood. A zoning change allowed the construction of 329 rental townhomes, half of which were affordable. Families not wishing to remain in the area were relocated to other standard, affordable housing.

- Information by State
- Print version

### About Section 108

- Program Overview
- Case Studies
- Application Details
- Contact Information
- Project Summaries: 2003 | 2002
- Public-Sector Loans to Private-Sector Businesses: An Assessment of HUD-Supported Local Economic Development Lending Activities more... | HUDuser website



## Section 108 Application Details

### Applying

If you are interested in applying for a Section 108 Guaranteed Loan, contact your local HUD office\* in advance for help in preparing an application. The program has no forms, but the following is the process required (as described in 24 CFR 570.704, "Application Requirements:")

- A. Pre-submission and Citizen Participation Requirements:
  - Development of a proposed application.
  - Compliance with CDBG citizen participation public hearings.
  - Publication of the proposed application.
  - Preparation of the final application.
  - Inclusion of the final application in the Consolidated Plan.
- B. Application Submission Requirements:
  - Description of compliance with CDBG National Objectives and Eligible Activities.
  - Schedule for repayment.
  - Certifications.

### Local Offices

After consulting with the local HUD office and the preparation of the final application, the local office will conduct a "due diligence and compliance review", where a Community Planning and Development representative will check to ensure compliance with the above process, as well as verify national objectives, eligible activities, and certifications. Once this review is complete, the office will forward the application to the Section 108 staff in HUD headquarters along with a recommendation of approval or disapproval.

### HUD Headquarters

Upon arrival in HUD's main office, the application will be assigned to a staff underwriter, who will examine the application in detail. It is at this stage that the requested loan terms and additional security offered will be examined. It is customary for the staff reviewer to be in contact with the local HUD office representative as well as the Applicant in order to resolve questions or issues which may arise during the review.

Upon completion of the review, a Project Review Panel (consisting of headquarters staff and the local HUD office representative) will examine the application, suggest ways to resolve issues, request additional information, or recommend the application be approved. Once an application has received an approval recommendation, it is forwarded to the Secretary of HUD for final approval and release.

### Timeframe

The length of time the application approval process takes depends on the individual application. For questions on a specific application, contact your local HUD office or the staff underwriter in HUD headquarters who is reviewing the application.

Content current as of 17 August 2009

**U.S. Department of Housing and Urban Development**  
451 7th Street, S.W., Washington, DC 20410  
Telephone: (202) 708-1112 [Find the address of a HUD office near you](#)

- Information by State
- Print version
- About Section 108**
  - Program Overview
  - Case Studies
  - Application Details**
  - Contact Information
  - Project Summaries: 2003 | 2002
  - Public-Sector Loans to Private-Sector Businesses: An Assessment of HUD-Supported Local Economic Development Lending Activities [more...](#) | HUDuser website