

PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS
AGENDA ITEM SUMMARY

Meeting Date: October 3, 2006

Consent

Regular

Department: Housing and Community Development

Public Hearing

Submitted By: Housing and Community Development

I. EXECUTIVE BRIEF

Motion and Title: Staff recommends motion to approve: Revisions to the Community Development Block Grant (CDBG) Program Local Entitlement Methodology and Strategy and CDBG Application Packet, starting with the funding period October 1, 2007 - September 30, 2008 (FY 2007-08).

Summary: The proposed changes will affect FY 2007-08 and subsequent, but will be incorporated to the planning process starting October 2006, as the process starts one year in advance. The proposed changes focus on improving the timeliness of expenditure of CDBG funds in compliance with regulatory provisions at 24 CFR 570.902, and on implementation of HUD's new Performance Measurement Outcome system. The proposed program revisions are summarized as follow:

- Local CDBG subrecipients (municipalities, public agencies, private non-profits, etc), which at the time of the application deadline, have not expended 51% of any previous year's grant awards, excluding the fiscal year running at time of submission, shall not be considered for funding.
- Municipal subrecipients which are expending funds in a timely manner, as well as the unincorporated area, will be entitled to a prorated share of the funding that otherwise would have been available to untimely subrecipients.
- The Special Area of Hope (AOH) Program will allocate to the selected Lake Region municipality \$400,000 in addition to the municipality's local entitlement, instead of the current \$400,000 in lieu of its local entitlement. No payment of salaries is permitted using Special AOH Program funds, however, local entitlement funds may continue to be used for payment of salaries. Six months prior to the start of Palm Beach County's fiscal year, the municipality targeted to receive the Special AOH funds must meet with HCD staff to identify and prioritize potential projects.
- If not allocated to a project by the start of Palm Beach County's fiscal year, or if unexpended three (3) years following the start of Palm Beach County's fiscal year, Set Aside funds for the Economic Development Program will revert to the general CDBG program for use for community development activities.
- The maximum application amount for countywide or unincorporated area projects will be increased from \$250,000 per application to \$300,000 per application.
- Selection preference will be given to projects that evidence the ability to expend the majority of funds within twelve (12) months from the start of Palm Beach County's fiscal year.
- All municipal applicants that receive funding for design and construction of capital improvements projects must complete design of such projects in one (1) fiscal year, and must complete permitting and construction in two (2) fiscal years. A portion of the allocation sufficient to complete one functional component of the project will be automatically committed to such component. Non-profit agencies will be eligible to receive construction costs without design.
- Any activity which may cause displacement of residential and/or business tenants must provide the following with their application: a) a relocation plan meeting all requirements of 24 CFR 570.606, as amended. This plan shall be prepared by a consultant with demonstrated experience in relocation matters, and shall include all relocation costs for the proposed project; b) a document legally binding the grant awardee to place in the project budget sufficient funds to fully implement the relocation plan; and c) documentation evidencing that all required notices to tenants have been prepared and are available to be provided.
- Revisions to the format of the CDBG application packet to elicit responses necessary to fulfill classification and data requirements of HUD's new Performance Measurement Outcome system and implementing software, IDIS.

Notice of the proposed revisions were published in the Palm Beach Post on August 27 and September 17, 2006, posted on Housing and Community Development's (HCD) website, and transmitted to all participating municipalities via letter dated August 25, 2006. Countywide (TKF)

Background and Policy Issues: (SEE PAGE 3 OF 3)

Attachments:

- a) Summary of CDBG Revisions for FY 2007-08 and Justifications
- b) Revisions to the Local Entitlement Methodology and Strategy
- c) Revisions to the Special Area of Hope Allocation Program of the Local Entitlement Methodology
- d) HUD's Performance Measurement Outcome system requirements
- e) CDBG Application Packet for FY 2007-08

Recommended By: Edward W. [Signature]
Department Director

9/25/06
Date

Approved By: Shannon [Signature]
Assistant County Administrator

Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

<u>Fiscal Years:</u>	20_____	20_____	20_____	20_____	20_____
Capital Expenditures:	_____	_____	_____	_____	_____
Operating Costs:	_____	_____	_____	_____	_____
External Revenues:	_____	_____	_____	_____	_____
Program Income (County):	_____	_____	_____	_____	_____
In-Kind Match (County):	_____	_____	_____	_____	_____
NET FISCAL IMPACT:	_____	_____	_____	_____	_____
# OF ADDITIONAL FTE POSITIONS (Cumulative):	_____	_____	_____	_____	_____

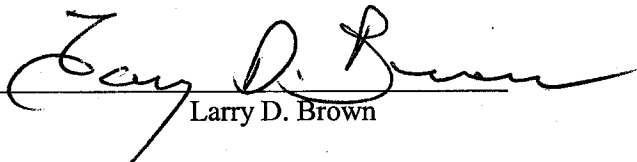
Is Item Included In Current Budget? Yes _____ No _____

Budget Account #: Fund _____ Agency _____ Org. _____ Object _____ Program Code _____

B. Recommended Sources of Funds/Summary of Fiscal Impact:

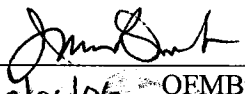
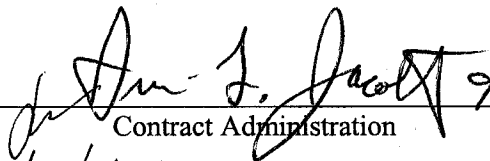
No Fiscal Impact. associated with this item.

C. Departmental Fiscal Review:


 Larry D. Brown

III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Administration Comments:

<p>  9-26-06 OFMB </p>	<p>  9/27/06 Contract Administration </p>
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B. Legal Sufficiency:


 9/28/06
 Assistant County Attorney

C. Other Department Review:

Department Director

This summary is not to be used as a basis for payment.

Background and Policy Issues: (Continued from page 1)

Annually Palm Beach County receives CDBG Program funds from HUD. HCD notifies all participating municipalities, interested nonprofit agencies and the public in general, of the availability of funds via letters, newspaper advertisement, HCD's website, and public meetings. To arrive at its funding suggestions for the CDBG program, HCD staff uses the Local Entitlement Methodology to ensure a fair distribution of available CDBG funds among participating jurisdictions and other agencies requesting CDBG funds. Under this methodology, funds are set aside to address HCD's ongoing Housing Programs, Countywide Public Services, 10% Economic Development Set Aside Program, Program Administration inclusive of indirect costs, and Project Implementation.

The CDBG Local Entitlement Methodology was last revised on October 22, 2002.

For Fiscal Year 2007-08, staff is making recommendations which will result in revisions to the Community Development Block Grant (CDBG) Program Local Entitlement Methodology and Strategy, CDBG Application Packet, and Activity Evaluation Process.

- Attachment "a":** Includes the Summary of CDBG Revisions for FY 2007-08, and Justifications; and Excerpts of the major revisions with added text in *underline italics* and the deleted text with ~~struck out~~.
- Attachment "b":** Includes the revisions to the Local Entitlement Methodology and Strategy entire document.
- Attachment "c":** Includes revisions to the Special Area of Hope Allocation Program of the Local Entitlement Methodology
- Attachment "d":** Includes HUD's Performance Measurement Outcome system requirements
- Attachment "e":** Includes the revisions to the CDBG Application Packet for FY 2007-08 entire document.

ATTACHMENT "a"

**SUMMARY OF CDBG REVISIONS FOR
FY 2007-08, AND JUSTIFICATIONS**

PALM BEACH COUNTY HOUSING & COMMUNITY DEVELOPMENT
Proposed Changes to the Community Development Block Grant (CDBG)
Program and Local Entitlement Methodology: FY 2007-08

In light of HUD's emphasis on its timeliness policy, use of performance measurement system, funding reductions of approximately \$1.2 million or 14.2% of the County's CDBG allocation during the past two years, and proposed funding reductions for the coming years, HCD recommends the following revisions to the CDBG program.

A. Implementation of Timeliness Policy on CDBG Subrecipients

HUD has made clear its high priority to reduce the number of entitlement grantees that fail to comply with the regulatory standard for carrying out their program in a timely manner. Under the provisions of 24 CFR 570.902 of the CDBG regulations, a grantee is considered to be timely, if 60 days prior to the end of the grantee's program year, the balance in its line-of-credit does not exceed 1.5 times the annual grant. If the standard is not met, generally HUD places the grantee on a Work Plan aimed at reducing the ratio. If, at the 60 day test the following year, a currently untimely grantee still does not meet the 1.5 standard, the next grant will be reduced by 100% of the amount in excess of 1.5 times the annual grant.

In many instances, grantees develop a funds backlog because their subrecipients, which are the organizations that receive CDBG dollars to carry out projects on behalf of the grantee, fail to draw down funds either on schedule or at all, or repeatedly request that the funds be reprogrammed to different projects. Untimely subrecipients with large backlogs of CDBG dollars can push a grantee's entire program into noncompliance with HUD's timeliness standard.

Palm Beach County, a CDBG grantee, has been meeting HUD's timeliness test, despite the fact that many of its subrecipients have failed to assist the County in meeting the 1.5 ratio. Compliance has been accomplished because HCD has put into practice one of HUD's recommendations of recapturing funds from slow-moving projects to fund projects that are ready to move forward quickly.

County subrecipients, which for purpose of this memo also include municipalities, County Departments and any other public agencies, have been made aware of the importance of expending their funds in a timely manner. Still, there are subrecipients that for various reasons are not complying with the County's request. Due to the serious implications for the County of not complying with the 1.5 standard set by HUD, other HUD-suggested strategies should be put into practice, namely, instituting and implementing sanctions for untimely subrecipients, and rewards for timely subrecipients.

The 10% Set Aside Program for Economic Development is currently administered by the Office of Economic Development. However, the non-expenditure of these funds on a timely basis will have a negative impact on the County's effort to expeditiously expend its CDBG allocation. Consequently, this program and activities funded thereunder will also be subjected to the overall strategy being proposed to improve the expenditure rate of the County's CDBG funds.

Implementation of sanctions and rewards will require revisions to the Local Entitlement Methodology and support from Administration and BCC. Under the Local Entitlement Methodology, funds are first allocated to HCD's Housing Programs, Eligible Countywide Public Services, the 10% Set Aside Economic Development Program, Project Implementation Costs, Indirect Costs and Program Administration. The remaining available funds are subjected to a formula whereby the unincorporated share and the municipal share are established. Therefore, through the Methodology, Category II municipalities (participating municipalities with Target Areas) who submit eligible applications are entitled to receive CDBG funds. Thus, sanctions and rewards need to consider the uniqueness of the method of distribution

of funds utilized by the County.

1. Revision to the Local Entitlement Methodology and Strategy

- a. A new subsection entitled "Ensuring Subrecipient Timeliness" is proposed to be added to the Methodology, to institute the following:
 - i. Category II municipalities (participating municipalities with target areas), which at the time of the application deadline, have not expended 51% of any previous year's grant awards, excluding the fiscal year running at the time of deadline submission, shall not receive an annual allocation, or participate in the Area of Hope Program.
 - ii. Category II municipalities in the Glades area, which at the time of the application deadline, have not expended 51% of any previous year's grant awards, excluding the fiscal year running at the time of deadline submission, shall not receive an annual allocation, or participate in the Special Area of Hope Allocation Program.
 - iii. Category II municipalities expending funds in a timely manner, as well as the unincorporated area, will be entitled to the prorated share of those municipalities sanctioned in item (i).
 - iv. Non-countywide agencies, located in Category II municipalities that are being sanctioned under items (i) or (ii), will be considered for funding.
 - v. Non-profit agencies, public agencies, and Category I municipalities (participating municipalities w/o Target Areas), which at the time of the application deadline, have not expended 51% of any previous year's grant awards, excluding the fiscal year running at the time of deadline submission, will not be considered for funding.
- b. The following changes (deletions are ~~strikethrough~~ and additions/revisions are underlined italics) are needed, as well, to hasten expenditure of funds. These items will be moved to the new subsection Ensuring Subrecipient Timeliness:
 - i. Preference will be given to activities/projects that are ready to move forward quickly. Evidence of the project's ability to expend the majority of funds within 12 months from the contract date start of Palm Beach County's fiscal year will be required.
 - ii. ~~Recaptured and unexpended Set Aside funds for the Economic Development Program will revert to the general CDBG program for use for community development activities, unless a clear need is demonstrated for the funds to remain with the Economic Development Program.~~
 - iii. Set Aside funds for the Economic Development Program will revert to the general CDBG program for use for community development activities if not allocated to the project by start of Palm Beach County's fiscal year or if unexpended within 3 years of the start of Palm Beach County's fiscal year.
 - iv. Only municipal and county applicants will be permitted to apply for design and construction. Other applicants are not permitted to apply for design, but are permitted to apply for construction.
 - v. All municipal applicants receiving funding for the design and construction of capital improvements projects are required to begin implementation complete design of such projects within ~~two~~ one (1) fiscal year after the year in which they received funding for such design, and to complete ~~implementation~~ permitting and construction of the designed capital improvement project within ~~five~~ in two (2) fiscal years after the year in which they received funding for the design. A portion of the allocation sufficient to complete one functional component of the project will be committed automatically to such component.

- vi. Non-profit agencies will be eligible to receive funding for construction (hard costs only) of capital improvement projects, but not for design. County and other public agencies are eligible to receive funding for design/construction of capital improvement projects provided that all funding is in place to complete the entire project.

Agenda Item attachment "b" contains the entire methodology depicting the proposed revisions.

B. Revisions to the Special Area of Hope Allocation Program of the Local Entitlement Methodology

The Special Area of Hope Allocation Program is a temporary program created to assist the Lake Region in its community development efforts. This Program was created in addition to the regular Area of Hope Strategy. The Special Area of Hope Program was first implemented during FY 2001-02, with South Bay being the first municipality to receive funding under this Program. Two cycles of funding will be completed during FY 2006-07 when Pahokee receives its second allocation.

The following changes are recommended:

1. Rather than allocate \$400,000 in lieu of the yearly local entitlement, allocate \$400,000 in addition to the yearly local entitlement.
2. The County Department of Housing and Community Development reserves the right to discontinue or amend this program at any time.
3. Change the Program guidelines as follows: (deletions are ~~strikethrough~~ and additions/revisions are underlined italics)
 - a. The selected municipality will be advised of the proposed allocation. Six months prior to the start of Palm Beach County's fiscal year, Six months prior to the start of Palm Beach County's fiscal year, the municipality targeted to receive the Special AOH funds must meet with HCD staff to identify and prioritize potential projects.
 - b. The selected municipality must submit applications with eligible, viable, feasible activities that are ready for implementation.
 - c. The selected municipality must begin expending funds within ~~two years~~ one year from the date of the contract beginning of Palm Beach County's fiscal year.
 - d. ~~Payment of CDBG-related salaries is allowed under the Special AOH Allocation Program during the fiscal year in which the municipality receives the Special Allocation, as follows: up to 25% of the total allocation for the City of Belle Glade; up to 15% of the total allocation for the City of South Bay, and up to 10% of the total allocation for the City of Pahokee.~~
 - e. No payment of salaries is allowed utilizing the Special Area of Hope Allocation Program funds. However, Local Entitlement Funds may continue to be used for payment of salaries.

Agenda Item attachment "c" contains the entire description of the Special Area of Hope Allocation Program depicting the proposed revisions.

C. Revision to the CDBG Application Packet

This revision proposes the following: