

**PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS
AGENDA ITEM SUMMARY**

Meeting Date: March 13, 2007

[X] 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: one (1) revision to the Community Development Block Grant (CDBG) Program Local Entitlement Methodology and Strategy.

Summary: Approval of this item will revise the County's CDBG Program by deleting the following criterion:

- 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.

The proposed revision will become effective upon approval, commencing with the FY 2007-08 Action Plan. All other CDBG Program criteria will remain the same. Notice of the proposed revision was published in the Palm Beach Post on February 19, 2007, and posted on Housing and Community Development's (HCD) website. Countywide (TKF)

Background and Policy Issues: Palm Beach County receives an annual entitlement of Community Development Block Grant (CDBG) funds from the U.S. Department of Housing and Urban Development (HUD). The County's CDBG Program is administered by the Department of Housing and Community Development. Certain CDBG Program criteria are required by federal regulations at 24 CFR Part 570, while other criteria are left to the discretion of the entitlement community's governing body. Palm Beach County CDBG Program criteria, or modifications thereto, are formulated by staff and subject to approval by the BCC. On October 3, 2006, the BCC last approved revisions to the CDBG Local Entitlement Methodology and Strategy (Agenda Item # 5E-1), including the specific local criterion proposed for deletion herein.

Although intended to expedite the County's expenditure of CDBG funds by eliminating the provision of additional funds to those entities with slow rates of expenditure, implementation of the criterion has proven infeasible for the following reasons:

- 1) The criterion penalizes subrecipients that undertake large capital improvement projects where completing the necessary design, permitting, approval, and development process can be lengthy. These types of projects are a staple of the CDBG Program and provide important benefits to lower-income citizens of the County who may not otherwise have access.
- 2) There are concerns regarding the accuracy of the financial data used for the calculation of the subrecipients' rates of expenditure in that: a) all expenditures to date may not be reflected in the calculation; b) subrecipients which complete and close out projects rapidly may not get the benefit of such in the calculation, while other subrecipients who allow small amounts of funds to linger in older open accounts may benefit from the expenditures reflected in the old account.
- 3) Requests for waivers of the criterion have already been received, however, staff believes it is unfair for waivers to be considered on a case-by-case basis, and that instead the criterion should be eliminated in its entirety.

Staff proposes to develop a strategy which will address HUD's timeliness requirements in a comprehensive manner, for BCC approval at a later date. Revision of the criterion will result in greater flexibility in the County's ability to select projects for CDBG funding, while the ability to limit the provision of CDBG funds to untimely subrecipients may still be maintained through other methods. All other CDBG Program criteria will remain unchanged.

Attachments:

- a) Revisions to the Local Entitlement Methodology and Strategy

Recommended By:

Edward W. [Signature]
Department Director

2/15/06
Date

Approved By:

Sharon [Signature]
Assistant County Administrator

2/23/07
Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years: 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:

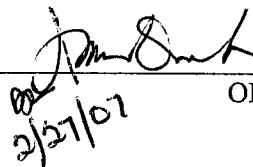

No Fiscal Impact.

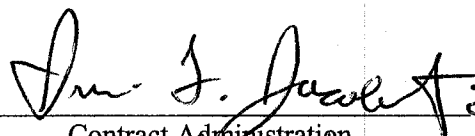
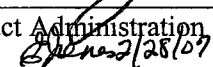
C. Departmental Fiscal Review:


Larry D. Brown

III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Administration Comments:

 2-27-07
OFMB  2/27/07 CN 02/26/07

 2/28/07
Contract Administration
 2/28/07

B. Legal Sufficiency:

 3/1/07
Assistant County Attorney

C. Other Department Review:

Department Director

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

ATTACHMENT "a"

Proposed deletions are indicated with ~~strikethrough~~.

CDBG Local Entitlement Methodology and Strategy

Palm Beach County must submit yearly to the U.S. Department of Housing and Urban Development (HUD) the Action Plan (AP), which includes, among other things, the County's Community Development Block Grant Program (CDBG) application. This application lists and describes the proposed activities with their suggested level of funding.

To arrive at its funding suggestions for the CDBG program, HCD staff uses a 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 On-going Housing Programs, Countywide Public Services, Indirect Costs, Project Implementation Costs, Program Administration Costs, the Economic Development Set Aside Program, and Contingency. The remaining funds are then distributed among the qualifying municipalities and the Unincorporated Area. Implementation of the methodology considers the following:

- CDBG allocations vary annually. In February 200_, HUD made public the estimated allocation for FY200_-0_. The estimated CDBG allocation for the Palm Beach County jurisdiction is \$X,XXX,XXX.
- Proportionate share (contribution percentage) is subject to periodic adjustment by HUD. The methodology is adjusted annually, as necessary, to reflect new information from HUD.
- The level of funding for HCD's On-Going Housing Programs is based on targeted goals and objectives of the Department of Housing and Community Development.
- Set-aside funds for HCD's On-Going Housing Programs are targeted to benefit participating municipalities as well as the unincorporated areas of Palm Beach County.
- 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 the fiscal year or if unexpended within 3 years of the start of the fiscal year.
- The activities/projects must be eligible per CDBG Program regulations and must serve a National Objective of the CDBG Program.
- HCD's Planning Areas are classified in three (3) categories, as follows:
 - 1) Category I: Municipalities having an Interlocal Agreement to participate in the County's Urban County Participation Program but no Target Areas.
 - 2) Category II: Municipalities having an Interlocal Agreement to participate in the County's Urban County Qualification Program, *and* having identified and/or potential Target Area.

3) Category III: Unincorporated Palm Beach County Target Areas.

- An activity located within a municipality is considered Countywide if at least 51% of the direct beneficiaries reside outside the municipality and the four entitlement municipalities.
- Funding of eligible Countywide activities, requesting funding for public services will be derived from the County's gross CDBG entitlement.
- Funding of eligible Countywide activities requesting funding for capital improvements will be derived from the County's CDBG Unincorporated Share.
- Funding of Non-Countywide Activities located within a municipality receiving a local entitlement will be derived from the municipality's final entitlement amount.
- When implementing the CDBG Program within participating municipalities, HCD absorbs administrative expenses related to the program.
- Activities impacting HUD's 20% cap on planning and administration are not allowed.

a. Ensuring Subrecipient Timeliness

In order to comply with 24 CFR 570.902 of the CDBG regulations which stipulates that 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, the following will be implemented to hasten expenditure of CDBG funds by subrecipients:

- ~~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.~~
- ~~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.~~
- ~~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 penalized in item (i).~~
- ~~Non-countywide agencies, located in Category II municipalities that are being penalized under items (i) or (ii), will be considered for funding.~~
- ~~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.~~

- 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 start of the fiscal year will be required.
- Applicants receiving funding for the design and construction of capital improvements projects are required to complete design of such projects within two fiscal years and to complete construction of the designed-capital improvement project within three fiscal years. For Category II municipalities, a portion of the allocation sufficient to complete one functional component of the project will be committed automatically to such component.

b. Procedures {For purposes of an example FY 2006-07 funding is being used}

The Palm Beach County Local Entitlement Methodology will be implemented as follows:

- From the County's annual CDBG entitlement, the County will set aside funds for:
 - HCD's On-Going Housing Programs;
 - Countywide Public Services;
 - Project Implementation Costs;
 - Program Administration Costs;
 - Indirect Costs;
 - 10% Economic Development Program; and,
 - Contingency.
- The remaining amount will represent the Total Available Funds to fund Municipalities' activities and the Unincorporated Area activities, including Countywide C/I activities (see Table APP-1).
- From the Total Available CDBG Funds, an initial entitlement is calculated for Category I Municipalities, Category II Municipalities, and the Unincorporated Areas, based on the proportionate share of the entitlement for which they are responsible (see Table APP-2). The proportionate share of the municipality that will receive the Special Area of Hope Program allocation is added to the Unincorporated Share.
- The total initial proportionate share of Category I Municipalities is redistributed to Category II Municipalities and the Unincorporated Areas by dividing each individual proportionate share of Category II Municipalities and the Unincorporated Areas by the total proportionate share of Category II Municipalities and the Unincorporated Areas, and then multiplying each individual result by the Category I total (see Table APP-3).
- A Final Entitlement Table is prepared showing the final entitlements for the Category II Municipalities and the Category I Municipalities requesting funding, and for the

Unincorporated Areas (see Table APP-4).

- Program Income will be allocated to HCD's On-Going Housing Programs.
- The Special Area of Hope Program allocation is deducted from the Unincorporated Share.

b. Implementation

The Palm Beach County entitlement for FY 2006-07 is estimated to be \$7,100,250. As mentioned, HCD deducts set-aside funds from the total entitlement. What remains is the amount of funds available for CDBG activities/ projects in participating Municipalities and the Unincorporated Area.

Total CDBG Entitlement for FY 2006-07.....	\$7,100,250
HCD's On-Going Housing Programs.....	\$400,000
(Funds to Carry Out Demolitions.....)	\$100,000)
(Funds to Provide Rehabilitation Loans/Grants.....)	\$100,000)*
(Funds for Relocation/Replacement Housing.....)	\$200,000)
Public Services Having Countywide Impact.....	\$861,000
Project Implementation Costs (includes indirect costs).....	\$989,981
Program Administration Costs (includes indirect costs).....	\$1,420,050
Economic Development.....	\$710,025
Contingency.....	\$639,923
Total Available CDBG Funds.....	\$2,079,271

**Program will receive additional estimated program income of \$300,000.*

TABLE APP-1
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM
Fiscal Year 2006-07 (32nd Year)
Administration, Implementation, Economic Development, and Countywide Activity Costs

A. HCD On-going Housing Programs		
1) Funds to Carry out Demolitions.....	\$ 100,000	
2) Funds to Provide Rehabilitation Loans/Grants*.....	\$ 100,000	
3) Funds to Provide Relocation Grants (Replacement Housing).....	\$ 200,000	
	SUBTOTAL.....	\$ 400,000
B. Countywide Public Service Activities		
1) Adopt-A-Family of the Palm Beaches.....	\$ 40,000	
2) Aid to Victims of Domestic Abuse.....	\$ 50,000	
3) (The) Arc of Palm Beach County.....	\$ 50,000	
4) Café Joshua (The Lord's Place).....	\$ 20,000	
5) Center for Family Services.....	\$ 20,000	
6) Coalition for Independent Living Options.....	\$ 40,000	
7) Children's Case Management Organization.....	\$ 20,000	
8) Children's Coalition.....	\$ 35,000	
9) Children's Home Society.....	\$ 75,000	
10) (The) Children's Place.....	\$ 50,000	
11) Consumer Credit Counseling Services.....	\$ 20,000	
12) Florida Housing Corporation.....	\$ 43,000	
13) Florida Resource Center for Women and Children.....	\$ 60,000	
14) Healthy Mothers, Healthy Babies.....	\$ 40,000	
15) Juvenile Transitions Center.....	\$ 35,000	
16) Legal Aid Society.....	\$ 90,000	
17) Sickle Cell Foundation.....	\$ 33,000	
18) Urban League of Palm Beach County.....	\$ 140,000	
	SUBTOTAL.....	\$ 861,000
C. Project Implementation Costs		
1) Including Housing Related Activites and Capital Improvements.....	\$ 989,981	
	SUBTOTAL.....	\$ 989,981
D. Program Administration Costs		
1) Including General Administration, Fiscal, and Planning Section Administration.....	\$ 1,420,050	
	SUBTOTAL.....	\$ 1,420,050
E. Economic Development		
1) Set-Aside Program (10% of Entitlement).....	\$ 710,025	
	SUBTOTAL.....	\$ 710,025
F. Contingency		
1) 9% of Entitlement		
	SUBTOTAL.....	\$ 639,923
	GRAND TOTAL.....	\$ 5,020,979
	TOTAL FUNDS.....	\$ 7,100,250
	ON-GOING/IMPLEMENTATION.....	\$ 5,020,979
	TOTAL AVAILABLE FUNDS.....	\$ 2,079,271

*Program will receive additional estimated program income of \$300,000.

Table APP-2
PALM BEACH COUNTY
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM
Fiscal Year 2006-07 (32nd Year) Initial Entitlement Funds

Total Available for New Projects*:	\$	2,079,271	
Category I Entitlement Municipalities	HUD Estimated Proportionate Share of County Entitlement		Initial Entitlement Funds
Atlantis	0.10258%	\$	2,133
Briny Breezes	0.03614%	\$	751
Cloud Lake	0.00488%	\$	101
Glen Ridge	0.01645%	\$	342
Gulf Stream	0.06411%	\$	1,333
Haverhill	0.14927%	\$	3,104
Hypoluxo	0.07693%	\$	1,600
Juno Beach	0.17951%	\$	3,732
Lake Clark Shores	0.28209%	\$	5,865
Lantana	1.19246%	\$	24,794
Manalapan	0.02163%	\$	450
Mangonia Park	0.38466%	\$	7,998
North Palm Beach	0.87191%	\$	18,129
Palm Beach Gardens	2.16694%	\$	45,057
Palm Beach Shores	0.14104%	\$	2,933
Palm Springs	0.94884%	\$	19,729
Royal Palm Beach	1.39762%	\$	29,060
South Palm Beach	0.11540%	\$	2,399
Tequesta	0.33338%	\$	6,932
Wellington	1.95283%	\$	40,605
Category I Subtotal	10.43867%	\$	217,048
Category II Municipalities			
Belle Glade	8.14297%	\$	169,314
Greenacres	2.90200%	\$	60,340
Jupiter	3.05159%	\$	63,451
Lake Park	1.95349%	\$	40,618
Lake Worth	8.10765%	\$	168,580
Riviera Beach	9.76808%	\$	203,105
South Bay	1.82497%	\$	37,946
Category II Subtotal	35.75076%	\$	743,355
Unincorporated Palm Beach County**	53.81057%	\$	1,118,868
GRAND TOTAL	100.00000%	\$	2,079,271

* Includes FY 2006-07 Estimated Allocation of \$7,100,250 minus CDBG Administration, Implementation, Countywide Public Services, Economic Development, and Contingency Costs totalling \$5,272,878.

** Includes the proportionate share for the City of Pahokee (2.87497%), because the City's FY 2006-07 Special Area of Hope Program Allocation will be deducted from the Unincorporated Share.

TABLE APP-3
PALM BEACH COUNTY
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM
Fiscal Year 2006-07 (32nd Year)
Proportionate Share of Total Entitlement Funds Available to Category II and the Unincorporated Area

Category II Municipalities and the Unincorporated Area	Proportionate Percentage	Initial Entitlement	Proportionate Share of Cat. I Among Cat. II and Unincorp.	Additional Entitlement	Final Entitlement
Belle Glade, City of	8.14297%	\$ 169,314	9.09206%	\$ 19,734	\$ 189,049
Greenacres, City of	2.90200%	\$ 60,340	3.24024%	\$ 7,033	\$ 67,373
Jupiter, Town of	3.05159%	\$ 63,451	3.40726%	\$ 7,395	\$ 70,846
Lake Park, City of	1.95349%	\$ 40,618	2.18118%	\$ 4,734	\$ 45,353
Lake Worth, City of	8.10765%	\$ 168,580	9.05262%	\$ 19,649	\$ 188,229
Riviera Beach, City of	9.76808%	\$ 203,105	10.90658%	\$ 23,673	\$ 226,777
South Bay, City of	1.82497%	\$ 37,946	2.03768%	\$ 4,423	\$ 42,369
Category II Total	35.75076%	\$ 743,355	39.91762%	\$ 86,640	\$ 829,995
Unincorporated PBC*	53.81057%	\$ 1,118,868	60.08238%	\$ 130,408	\$ 1,249,275
Category I Total	10.43867%	\$ 217,048	N/A	N/A	N/A
GRAND TOTAL	100.00000%	\$ 2,079,271	100.00000%	\$ 217,048	\$ 2,079,271

* Includes the proportionate share for the City of Pahokee (2.87497%), because the City's FY 2006-07 Special Area of Hope Program Allocation will be deducted from the Unincorporated Share.

Total Available for New Projects: \$ 2,079,271

*Final entitlement funds include initial entitlement plus additional entitlement from Category I municipalities.
 **To be deducted from the unincorporated share.

After deducting HCD's Set-aside funds from the Total Gross Entitlement, CDBG funds in the amount of \$2,079,271 are redistributed among the eligible Municipalities and the Unincorporated Area, including Countywide C/I Activities. The Special Area of Hope Program allocation is deducted from the Unincorporated Share.

The CDBG Local Entitlement Methodology ensures a fair and equitable distribution of funds between the incorporated and unincorporated areas of the County, and assists in reaching as many low and moderate-income areas as possible. Given the declining funding levels and the number of applications received yearly, using this methodology has resulted in a fairly balanced distribution of funds between the incorporated and unincorporated areas of the County.

c. Area of Hope (AOH) Strategy

The Local Entitlement Methodology also provides for an additional funding strategy known as the Area of Hope Strategy. Areas of Hope (AOH) are defined as specific geographic areas consisting of one or more census block groups in which seventy percent (70%) or more of the residents are of low and moderate incomes. A HUD-provided "special run" of low- and moderate-income data extracted from the 2000 Census is used to identify those areas meeting the AOH definition within Palm Beach County, in addition to those areas where fifty-one percent (51%) or more of the residents are low- and moderate-income persons.

The intent of the AOH Strategy is twofold:

- 1) To provide the unincorporated area with a ranking tool for activities/projects with similar qualifying merits; and,
- 2) To provide municipalities receiving a local entitlement with additional funding for eligible activities/projects addressing an AOH need.

Applications stemming from participating municipalities are limited by the municipality's entitlement amount. To assist AOHs located within these municipalities, the strategy provides additional funding to these municipalities. This strategy is implemented only if the surplus funds from the Unincorporated Area are available.

Implementation: The Strategy will be implemented as follows:

1. Municipalities: Assistance to AOH areas within municipalities will vary depending on the local entitlement amount and geographical location. Two (2) distinct categories are recognized for municipalities by identifying those receiving a local entitlement of greater or less than \$100,000.
 - a. *Municipalities with a local entitlement of less than \$100,000:* Participating municipalities are considered for assistance by taking into consideration geographical location, as follows:

1. *Lake Region*: Municipalities with a local entitlement of less than \$100,000 will be eligible to receive AOH funding in an amount to bring total funding up to, but not to exceed, \$150,000.
 2. *Eastern Palm Beach County*: Municipalities with a local entitlement of less than \$100,000 will be eligible to receive AOH funding in an amount to bring total funding up to, but not to exceed, \$100,000.
- b. *Municipalities with a local entitlement of more than \$100,000* will be eligible to receive AOH funding in an amount equal to not more than ten percent (10%) of their entitlement for municipalities located in the eastern portion of the county, and in an amount equal to no more than twenty-five percent (25%) of their entitlement for municipalities located in the Lake Region.
2. *Unincorporated Area*: If all unincorporated area activities/projects have been determined to be eligible and highly feasible/viable, the identification of AOHs will assist in the ranking of activities/projects for funding purposes. Eligible and highly feasible/viable activities and projects within AOH areas within the unincorporated area will take preference over activities and projects assisting AOH areas within local entitlement jurisdictions.

Guidelines: the following guidelines will be used to implement the AOH Strategy:

- ▶ *Activity/Project Type*: Priorities will be assigned based on the type of activity/project, as follows:
 - Priority #1: Infrastructure
 - Priority #2: Housing
 - Priority #3: Community Facilities
 - Priority #4: Public Services

No payment of salaries is allowed under the AOH Strategy.

Economic Development projects are not listed because they are funded from the Economic Development Program Set Aside, which is deducted from the total gross entitlement. The funds would be treated similarly to Countywide Public Service Activities, as explained in the methodology. To be determined as "economic development," a project must satisfy HUD's definition of economic development, and must meet County criteria.

- ▶ *Activity/Project Nature*: the activity/project must directly address an AOH need.
- ▶ *Activity/Project Benefit*: The activity/project must directly benefit residents of an AOH.