

**PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS
WORKSHOP SUMMARY**

Meeting Date: January 30, 2018

Department: Department of Housing and Economic Sustainability

I. EXECUTIVE BRIEF

Title: Discussion on the Community Development Block Grant (CDBG) Capital Project Plan

Summary: The Department of Housing and Economic Sustainability (HES) is seeking direction on establishing a new process to allocate CDBG funds to Capital Projects.

The County allocates CDBG funds to activities through the annual Action Plan process. Historically, HES has distributed CDBG funds between municipal and unincorporated area activities through a local entitlement process that used a U.S. Department of Housing and Urban Development (HUD) formula based on population, poverty, and housing overcrowding. The existing process has created concerns in that it does not ensure the timely expenditure of funds required by HUD regulations. Establishing a new CDBG Capital Project Plan will align HES administration of the program with HUD regulatory changes that went into effect in 2015-16 requiring grant specific tracking and accounting of CDBG funds. 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 program year, the balance in the CDBG line-of-credit does not exceed 1.5 times the annual grant. The FY 2017 CDBG grant amount is \$5.8 Million. To meet the 1.5 requirement, the balance cannot exceed \$8.7 Million. The current balance is \$12.9 Million. Therefore, the County will need to expend \$4.1 Million before August 2, 2018.

Beginning in fiscal year 2019-2020, HES proposes to distribute CDBG funds to municipal and unincorporated area projects through a CDBG Capital Project Plan (Plan). The Plan will identify and prioritize projects for CDBG funding during a period of three (3) fiscal years. A funding application process will be open to participation by municipalities with CDBG target areas, CRAs, and County departments. The process will focus on the identification of shovel-ready infrastructure improvement and public facilities projects that can be completed during the fiscal year in which funds would be allocated. The resulting CDBG Capital Project Plan will be presented to the Board of County Commissioners for approval, and will help guide the allocation of CDBG funds in the Action Plan which is approved by the Board on an annual basis. The Plan will facilitate longer-term planning and afford a level of certainty to both the County and its partners. By avoiding allocation of funds to projects that are not ready to proceed, the County's CDBG funds will be expended more rapidly and capital projects serving critical community needs will be completed and placed in service sooner. Countywide (JB)

Background and Policy Issues: HUD awards annual CDBG grants to States and local jurisdictions called "entitlement communities" including qualified urban counties with a population of 200,000 or more. Smaller municipalities may elect to participate in either a State program or an urban county program, and 29 local municipalities participate in Palm Beach County's Urban County Program. Larger municipalities including the Cities of Boca Raton, Boynton Beach, Delray Beach, Jupiter, Palm Beach Gardens, Wellington, and West Palm Beach receive funding directly from HUD and do not participate in the County's program. The CDBG Program works to provide decent affordable housing, community facilities and services, and job creation through expansion of businesses. HES hosted a public meeting with municipal stakeholders on January 19, 2018, to discuss the proposed CDBG Capital Project Plan.

Attachment(s): none

Recommended By: Jonathan Brown 1/19/18
Department Director Date

Approved By: Carol M. Johnson 1/20/18
Assistant County Administrator Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2018	2019	2020	2021	2022
Capital Expenditures					
Operating Costs					
External Revenues					
Program Income					
In-Kind Match (County)					
NET FISCAL IMPACT					

# ADDITIONAL FTE POSITIONS (Cumulative)					
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Is Item Included In Current Budget? Yes _____ No _____
 Does this Item include the use of Federal funds? Yes _____ No _____

Budget Account No.:

Fund _____ Dept _____ Unit _____ Object _____ Program Code/Period _____

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

NO FISCAL IMPACT

C. Departmental Fiscal Review: *[Signature]*
 Shairette Major, Fiscal Manager II

III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Development and Control Comments:

[Signature] 1/24/18
 OFMB *[Signature]* 1/24/18
[Signature] 1/24/18

[Signature] 1/25/18
 Contract Development and Control
 1/25/18 *[Signature]*

B. Legal Sufficiency:

[Signature] 1/25/18
 Assistant County Attorney

C. Other Department Review:

 Department Director



CDBG CAPITAL PROJECT PROCESS: EXISTING AND PROPOSED

BOARD OF COUNTY COMMISSIONERS WORKSHOP
JANUARY 30, 2018

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM

- Federal grant funding from HUD
- As the Entitlement Community (Grantee), the County receives an annual formula-based allocation from HUD (\$5.8M)
- 11 municipalities with CDBG target areas have an interlocal agreement with PBC and are able to receive CDBG funds
- Primary objective is to serve low and moderate income persons
- Eligible activities include economic development, demolition, public services, housing activities, infrastructure improvements, and public facilities

CDBG TIMELINESS REQUIREMENTS

- Grantee cannot have more than 1.5 times the current year CDBG grant remaining unexpended from all program years
- HUD tests for compliance on August 2nd of each year
- Grantees who fail to meet this test are put on work plan and/or funds are recaptured
- Capital projects pose the greatest timeliness challenge
- PBC must expend a minimum of \$4.1M by the test date

CURRENT DISTRIBUTION OF FUNDS

- Funds are currently distributed using a HUD formula process, which is based on population, poverty, and housing overcrowding
- Eligible municipalities with CDBG target areas share approximately \$1M annually
- County Departments for the unincorporated areas receive approximately \$1.6M annually

Funding Recipient	FY 2018 Allocation
Lake Worth, City of	\$291,846
Riviera Beach, City of	\$177,587
Belle Glade, City of	\$150,447
Greenacres, City of	\$148,771
Palm Springs, Village of	\$114,259
Lantana, Town of	\$59,643
Pahokee, City of	\$40,544
Lake Park, Town of	\$38,198
South Bay, City of	\$38,198
Mangonia Park, Town of	\$10,387
Municipal Subtotal	\$1,069,880
Unincorporated Area	\$1,620,000
Grand Total	\$2,689,880

CHALLENGES OF CURRENT METHOD

- Limited funding amounts available to smaller municipalities
- Guaranteed allocation results in funding projects at various stages of readiness to proceed
- Enables recipients to “bank” funds over multiple years before implementing project
- Inability to plan for operations beyond the next fiscal year

PROPOSED CDBG CAPITAL PROJECT PROCESS TO START FY 2019-2020 FOR MUNICIPALITIES AND COUNTY DEPARTMENTS

- Makes CDBG available to municipalities and County departments *(the application process would begin late calendar year 2018)*
- Identify and prioritize “shovel-ready” capital projects for funding over a period of 3 fiscal years (FY 2020 through FY 2022)
- Will guide the allocation of CDBG funds through the Annual Action Plan process, subject to BCC approval

PROPOSED CDBG CAPITAL PROJECT PLAN

- Municipalities with target areas, CRAs, and County departments
- Infrastructure improvements and public facilities
- “Shovel-ready” projects with site control, development approvals, design, and other funding sources in place
- Maximum of 3 applications for no more than \$300K

BENEFITS OF PROPOSED CDBG CAPITAL PROJECT PLAN

- Enables organizational planning beyond the next fiscal year
- A multi-year plan affords relative level of certainty to our partners
- Eliminates premature allocation of funding to projects that are not able to move forward timely
- Increases the overall rate of expenditure of CDBG funds
- Projects completed and serving residents sooner

STAKEHOLDER COMMENTS

HES hosted public meeting on January 19th for municipal stakeholders:

- Concern that funding is no longer guaranteed by formula allocation
- Potential redistribution of funds from larger to smaller municipalities
- Would like all CDBG funding available to municipalities
- Hold all municipalities more accountable and recapture funds when not expended timely

PROPOSED NEXT STEPS

- Use current formula allocation process for FY 2018-2019
- Additional meetings with municipal partners starting July 2018
- Revise proposed CDBG Capital Project Plan to address BCC directives and municipal concerns
- Bring revised plan to BCC for approval in late 2018
- Implement new process during FY 2019-2020



DISCUSSION / DIRECTION