

Attachment C
COMMUNITY DEVELOPMENT BLOCK GRANT AND HOME
PROGRAM FUNDING PROCESS AND POLICIES
2011 - 2015

I. Summary

The City of Columbia, through the federal Department of Housing and Urban Development, receives annual allocations of Community Development Block Grant and HOME funds. Funding is provided in the following categories: Public Improvements, Low-Income Housing, and “Community Facilities, Public Services, and Economic Development”. Eligible applicants include City Departments, not-for-profit organizations, for-profit organizations for certain limited economic development activities, and neighborhood associations. For recipients and sub-recipients, (organizations other than City Departments), the City will generally enter into contracts of 1.5 years for CDBG funds and two years for HOME funds, in which funding awarded is expected to be expended. Eligible types of projects include:

Public Improvements: Includes the installation and replacement of public infrastructure, parks and recreation facilities, and other neighborhood improvements which occur on public property.

Housing: Includes funding to repair, rehabilitate, and build housing for low income households. Not-for-profit and other housing development organizations are invited to submit applications for CDBG and HOME funding under the housing category. This category includes housing educational and counseling programs required for participants of housing programs. A minimum of 15% of HOME funding is set-aside for organizations that qualify as Community Housing Development Organizations (CHDOs).

Community Facilities: Includes assistance to improve buildings which house community service agencies and organizations. Funding to agencies under this category will be provided as low-interest loans, repayable after transfer of title of the facility or after the agency ceases to provide services to low- moderate income residents of the City of Columbia.

Public Services (Limited Purpose): Includes grants for the operation of organizations promoting fair housing, and conducting fair housing counseling, neighborhood planning activities, and tenant-landlord counseling services. Grants may also include funding for the “development” of public service programs, to be funded for a period not to exceed two years, and that are limited to the following: legal services, child care services, employment services program, and other services to be considered on a case-by-case basis as allowed by the City’s Consolidated Housing and Community Development Plan.

Economic Development Activities: Includes funding for Micro-enterprises (five or fewer employees through an intermediary organization), renovation of existing historic buildings for commercial activities, assistance to create business incubators, and the provision of public infrastructure to be permanently dedicated for the purpose of serving businesses that create and retain jobs primarily for lower income persons.

Applications for Community Development Block Grant and HOME funds are available at the City of Columbia, Department of Planning and Development. Applications are typically accepted in late April of each year and are processed in May and June. A training session concerning the CDBG and HOME programs and application is typically held in March.

II. CDBG and HOME Application Processes

a. Establishing Priority Projects: The Community Development Commission (CDC) is tasked with making recommendations to the City Council concerning priority housing and community development needs to be addressed with the use of CDBG and HOME funding. The CDC generally holds a public hearing once annually for the purpose of receiving public input for priority community development needs, usually in January of each year.

Recommendations made by the CDC are forwarded to the City Council. The Council may, at any time during the period of January through March 31, hold a work session for the purpose of directing City Departments to prepare applications for public improvements or other City sponsored projects. All projects must be considered as high or medium priority projects in the City's Consolidated Housing and Community Development Plan to be eligible for funding. Where adequate CDBG funding is not available in any funding category established by the City Council, high priority projects shall receive first consideration.

Following the public hearing by the Community Development Commission (CDC), the CDC will develop the method of evaluating CDBG projects through the use of a rating and ranking system; taking into account priority needs. Staff will prepare CDBG and HOME application forms after the CDC has completed its process of reviewing priority needs and projects for each program year. Staff will then make a public request for proposals for CDBG and HOME funding, followed by an application training; that will cover priority needs, projects, eligible applications, and required documentation.

b. CDBG Funding Categories: Not less than annually, the Community Development Commission (CDC) reviews and makes recommendations to the City Council concerning the percentage of CDBG funding that are distributed to various funding categories, including: public improvements, housing, and community facilities, services and economic development. Upon a recommendation from the CDC, the City Council shall review recommended percentages, the minutes of the CDC public hearing regarding priority needs, and staff recommendations. The Council shall adjust funding percentages as they believe are necessary to meet the City's priority community development needs.

c. CDBG Application Reviews: When received by the Planning Department, for applications that do not meet the eligibility requirements of the Department of Housing and Urban Development (HUD) and the City's requirements, staff will provide a letter to the applicant outlining the items needed to bring the project into compliance; or if this is not possible, will notify the applicant that the application was found to be ineligible. The City and CDC reserve the right to reject applications that are not prepared on the forms required for any particular program year; or where major omissions to the application are made that cannot be corrected without substantive changes to the nature or purpose of the application.

Items needed to complete a CDBG application must be resolved before the Community Development Commission can recommend funding to be included in the City's budget. All eligible CDBG and HOME applications will be submitted to the City's Community Development Commission, which then holds a public hearing regarding the funding requests. Following public hearings, the Commission makes a recommendation to the Columbia City Council on how those funds should be allocated. After recommendations are received, the City Council holds a public hearing at its regularly scheduled budget meeting and then makes the final determination on how Community Development Block Grant funding will be allocated.

Upon approval of the City budget, staff will prepare the City's Annual Action Plan and will make available a draft Action Plan for public comment. After holding another public hearing, the Council will approve the Action Plan after making any revisions to the Action Plan, including CDBG and HOME budget amounts, before the Plan is submitted to HUD for approval.

d. HOME Funding Categories: The City provides HOME funding in the following five categories: Owner Occupied Housing Rehabilitation, Homeownership Assistance, Tenant-Based Rental Assistance, Rental Production, and an amount not less than 15% of the HOME application, to be provided to Community Housing Development Organizations. The Department of Planning and Community Development (DPD) administers funding under the Owner Occupied Housing Rehabilitation Program and Homeownership Assistance Program. The Columbia Housing Authority (CHA) administers the Tenant-Based Rental Assistance Program (TBRA). Applications submitted by the DPD and the CHA for TBRA are submitted annually to the CDC for consideration in the City's budget process. Based upon available funding, the CDC will provide a recommendation for funding to the City Council as part of the City's budget process.

Not less than annually, the City will submit a request for proposals for available HOME funding for the Rental Production Program and for organizations that meet the HUD qualifications as a Community Housing Development Organization (CHDO). Eligible activities for rental production projects include the construction and rehabilitation of housing for special needs populations and the rehabilitation of affordable housing for other populations. Typically, the Rental Production RFP will be issued at the same time as the RFP for CDBG applications. The RFP for CHDO organizations is typically issued after a HUD funding award to the City for HOME funding and will occur between July and January 1 of each year. Eligible CHDO applications include the rehabilitation or construction of rental housing, new construction and new construction of owner occupied housing that is owned, sponsored, or developed by the CHDO organization.

In the case of HOME funding, if applications are received that exceed the amount of HOME funds projected to be available, the CDC will hold a public hearing before recommending funding to the City Council.

e. Previous Years Funding: From time to time, the City will receive additional funding allocations from HUD, or will need to reprogram previous years funding. Any HOME or CDBG funds available at the time the CDC is making funding recommendations will be added to the CDC's evaluation of applications, with funding to be considered as an amendment to the previous year's annual Action Plan.

f. General Eligibility Criteria

In addition to statutory and regulatory criteria required by HUD, the State of Missouri, or the City; the following eligibility requirements must be met to ensure capacity and timeliness to implement CDBG projects:

- Applications for the purchase of real estate where site control has not been obtained, such as by means of a contract for sale, are restricted to \$25,000.
- Where site control is obtained, applications that do not include a preliminary engineering or architectural report, with a cost estimate, and prepared under the seal of a licensed professional engineering or architect; are restricted to \$50,000 or less;
- Entities where any CDBG or HOME funds remain unexpended in HUD's IDIS system that date to more than three years from the date that HUD issued its authority to the City to expend funds for this activity, are not eligible to apply for CDBG funds;
- Entities that have projects where less than 50% of the previous years' funding have been expended in HUD's IDIS system that date more than two years from the date HUD issued to the City its authority to expend funds for this activity, are not eligible to apply for CDBG funds.
- Applicants are restricted to one project per application. Projects are defined by a specific place or specific program; and identification of project beneficiaries;
- For applicants, other than City Departments, submitting an application for more than \$25,000, the most recent agency independent audit is required to be submitted with the application.
- Applicants must be incorporated and in good standing with the Secretary of State's Office.
- Applicants must have a current budget approved by their governing Board.

II. Public Improvement Projects

Projects shall be publicly owned and must benefit at least 51% low to moderate income persons. To be eligible, the application must document low to moderate income benefit through one of the following:

Survey of beneficiaries – A survey of beneficiaries is allowed where the project occurs at a location that is available to an identified group of persons. Generally, all persons that use the public improvement must be surveyed. Surveys may be conducted before or after a project is approved, depending upon the goals of the application.

Exclusive use beneficiaries – For certain groups of limited clientele, homeless, abused children, elderly, battered spouses, severely disabled, illiterate adults, persons living with AIDS, and migrant farm workers; who exclusively use the facility or service; there is no requirement to document low to moderate income benefit other than to document that no other persons other than the identified groups use the facility. For example, ADA improvements to a sidewalk anywhere in the City would meet this criteria.

Census data – For projects that benefit an area, rather than specific clientele; or can otherwise be proven, using Census data, to benefit 51% low to moderate income persons within a geographical area;

The following types of projects are considered high priority activities when benefiting lower income neighborhoods or special needs populations:

- Parks and Recreational Facilities
- Flood and Storm Drainage Improvements
- Street Improvements
- Sidewalk Improvements
- Pedways

The following types of projects are eligible, when benefiting lower income neighborhoods only where funding is available after taking into account all relevant factors needed to fund applications for high priority improvements;

- Fire stations/equipment and other Public Safety Improvements
- Neighborhood Community Centers
- Water and Sewer improvements

The following types of public improvements are not eligible for assistance in accordance with the City's Consolidated Plan.

- Parking Facilities
- Solid Waste Disposal Improvements
- Buildings for the general conduct of government with the exception of improvements to help meet ADA requirements
- Tree Planting
- Equipment such as Trucks or Construction Equipment
- Operating Costs of any Type falling outside of allowed Public Service activities

III. CDBG Funded Housing Programs

Includes projects to acquire, replace and improve housing units for lower income City residents, or that address spot cases of slums and blight. High priority is given to owner-occupied properties. Examples of projects may include the rehabilitation of private and public residential properties, home repairs, land acquisition, demolition and hazardous materials removal.

After funding, proof of income is required and involves an application signed by the head of household for the beneficiary and supporting income documentation that is supplied by the beneficiary or the employer of the beneficiary household.

CDBG funded housing activities also include the demolition of housing that may; within the City's Neighborhood Response Team Area, and in the absence of specific plans to reconstruct housing on the site, meet the City's criteria for spot slum and blight; eliminating the need to show that the building meets the low to moderate income national objective. Spot slum and

blight is proven where the cost to bring the housing unit up to the City's property maintenance code is in excess of \$30/sq. ft. of conditioned space.

Although rehabilitation of rental housing is an eligible activity under CDBG funded programs, any new construction of rental housing is not an eligible CDBG funded activity. Rehabilitation of rental housing requires proof of affordability. Each project requires a lien to be placed on the property for a five year period of affordability. Rents and income would need to be affordable on completion of rehabilitation or repair activities. Rehabilitation of rental property is a medium priority activity; that would become a high priority where it addresses special needs or homeless populations; if not, the activity could only be funded in the CDBG housing category as a second priority to owner occupied housing activities.

IV. HOME Funded Housing Programs and Projects

HOME funding will be allocated to the following continuously operating programs: Owner Occupied Housing Rehabilitation, Homeownership Assistance Programs, Community Housing Development Organizations, and Tenant-Based Rental Assistance (TBRA). HOME funding not programmed to annual HOME funded programs are allocated through a Request for Proposal submitted at the same time the CDBG Request for Proposals is made. The Homeownership Assistance Program (HOA), TBRA, and Owner Occupied Rehabilitation Program are subject to a separate set of administrative guidelines not included in this document.

HOME funding through these guidelines can be used for eligible activities for housing development organizations that have as one of their purposes the construction of affordable housing as indicated in their Articles of Incorporation or Bylaws. Housing projects are processed throughout the year to take advantage of the financing and real estate opportunities available in order to develop affordable housing in a predictable and cost effective manner.

Homeownership projects outside of the City's Homeownership Program (HOA) included under the "Homeownership Assistance Programs" budget, are subject to a separate agreement between the City and the applicant.

For rental projects, the City will set aside funds into a "Rental Production" budget. The rental program will allow applications to be processed in a flexible manner with funds being committed as projects are ready to go.

Typical Activities include the following:

a. Construction or Rehabilitation of Affordable Housing for Owner Occupants includes: lot acquisition, new construction, site preparation, rehabilitation or any other activities necessary to provide affordable housing, including soft costs, housing inspections, etc. General administrative costs are not an eligible activity; however, an organization can include a developer fee, not to exceed 10% of the sale price of the housing, as part of the project cost. The developer fee must come from proceeds of a home sale and cannot be provided directly through the use of HOME funds. Housing can be vacant or occupied before rehabilitation. Housing produced must meet required property standards, including compliance with City building and occupancy codes upon completion of construction; therefore, a minor home repair program that does not completely rehabilitate a dwelling would not be an eligible activity under this category.

Housing infrastructure on public property is not eligible for HOME funding. The minimum per unit project cost is \$1,000.

Rehabilitation of Owner Occupied housing is covered under the City's Owner Occupied Housing Rehabilitation Program; defined as housing occupied at the time an application is submitted; is not an eligible activity under these guidelines, because it duplicates the City's Owner Occupied Housing Rehabilitation Program. Organizations seeking to operate such a program will need to submit applications to the Department of Planning and Development to include selected housing in the existing program.

After funding, proof of income always involves an application signed by the head of household for the beneficiary and supporting income documentation that is supplied by the beneficiary or the employer of the beneficiary household.

b. Construction or Rehabilitation of Affordable Rental Housing: Eligible Costs are similar to those listed for owner occupied housing, however, the developer fee is limited to an average annual return on owner investment of 15%, or a 15% Internal Rate of Return. The City does not allow a developer fee as an eligible HOME cost; however, applicants should list a developer fee as part of their project cost. Additional requirements apply which limit tenant incomes to 60% of the median income; limit rents to fair market rents or HOME published rents, whichever is less; and require units to meet the City's Property Maintenance Code during a period of affordability. For newly constructed rental units the period of affordability is 20 years; while for rehabilitated units, the period would range from five to 15 years, depending upon the amount of HOME funding invested in the property. During the period of affordability, affordability restrictions cannot be subordinated to other financing.

After funding, proof of income is required to be provided for each tenant household during the period of affordability; as well as copies of leases to indicate that the applicable HOME rents are being paid.

Construction of new rental housing is *not* an eligible activity under the City's Consolidated Plan requirements, unless the housing is intended for use by special needs or homeless populations. Rehabilitation of rental housing remains an eligible activity. Special needs populations include: elderly, frail elderly, severely mentally ill, homeless populations of any type, and those that are physically disabled.

Housing for the following non-homeless special needs populations are considered a moderate priority, and should only be funded after all high priority housing activities are funded: housing for persons living with HIV/AIDS, housing for persons with substance abuse problems, and housing for persons that are developmentally disabled.

c. Tenant Based Rental Assistance: The Columbia Housing Authority can apply for funds to administer a rental assistance program, similar to HUD's Section 8 Housing Choice Voucher Program. The period of assistance is two years for each household, after which, the agency would have to reapply for HOME funding to continue assistance to these households.

d. HOME Community Housing Development Organizations: At least 15% of the City's HOME funding each year is set aside for organizations meeting the definition of a Community

Housing Development Organization (CHDO), as defined by HUD. The amount of the CHDO set aside can be increased above 15% if demand for funding, based upon applications received in the general HOME competition is adequate. Where CHDO requests are inadequate during the annual competition, not more than annually, the City will issue a Request for Proposal just for housing development organizations to submit their proposal, along with their organizational paperwork that would qualify them as a CHDO. Eligible activities include construction or rehabilitation of owner occupied or rental housing that is to be initially owned, sponsored, or developed by the CHDO organization. Funds are generally provided to CHDOs conducting homeownership activities in the form of a grant to the organization, which is then allowed to retain program income to use for additional affordable housing development projects, provided such projects meet priorities established by the City Council as outlined in the City's agreement with the CHDO organization. Assistance to CHDO rental properties are provided in the form of a loan from the City to the CHDO, with terms based upon the gap in financing needed to make the project feasible.

Predevelopment Costs for CHDOs: The City can provide up to 10% of its CHDO set-aside in the form of a loan to help pay for predevelopment costs. Technical Assistance and site control loans may be provided by the City Council to carry out a specific projects prior to the time the CHDO has site control of the property in order to complete pre-development activities such as: costs and fees used for consultants, applications for financial assistance and bank loans, architectural and engineering fees, and other site control expenses. Loans will also be provided for other pre-construction costs such as architectural and engineering studies, zoning approvals, legal fees, and construction loan commitments among other pre-construction costs. Repayment of predevelopment loans must be provided at the time other construction financing is obtained. Predevelopment loans will not be provided by the City if there is a reasonable expectation that the project may not be feasible, in accordance with a review of the project by City staff; including questionable market information, or inaccurate data submitted in the application from the CHDO.

Priority projects for CHDOs are those similar for owner and rental development projects described in this Section.

V. Community Facility Projects

Community Facilities are projects to acquire, build, establish and improve community facilities that benefit lower income city residents or that eliminate a spot case of slums or blight. Facilities shall be non-residential, open to the general public and may be publicly or privately owned. Funds provided for community facilities are generally provided in the form of a loan repayable upon sale or conversion of the property to another use, unless the project is undertaken by a public agency.

Income determinations are based on persons benefiting rather than households. Income must be proven either before or after the project using one of the following methods:

Survey of beneficiaries: A survey of beneficiaries is allowed where the project occurs at a community facility or is a service that is available to an identified group of persons. All persons that use the facility or service must be surveyed.

Exclusive use beneficiaries: For certain groups of limited clientele, homeless, abused children, elderly, battered spouses, severely disabled, illiterate adults, persons living with AIDS, and migrant farm workers; who exclusively use the facility or service, there is no requirement to document low to moderate income benefit other than to document that no other persons other than the identified groups use the facility. For example, an emergency homeless shelter would meet this criterion.

Census data: For projects that benefit persons indirectly that live in a lower income neighborhood or can otherwise be proven, using Census data, to benefit 51% low to moderate income persons within a geographical area; Census data should be used to determine eligibility.

The following types of projects are considered high priority needs:

- Centers for Persons with Disabilities;
- Removal of Architectural Barriers;
- Homeless Facilities
- Youth Centers
- Child Care Centers
- Health Facilities
- Facilities to Address Domestic Violence

The following types of projects are eligible only where funding is available after taking into account all relevant factors for applications for high priority improvements:

- Neighborhood Community Facilities;
- Facilities for HIV/AIDS patients (Specific);

Projects that are not eligible based upon their status as a low priority activity in the City's Consolidated Plan include the following:

- Senior Centers
- Contaminated Site clean-up

VI. Public Service Projects

Public Service Projects can basically be defined in a manner similar to those as are defined in the City's "Social Service Funding Policy", with one exception; all public service activities must be open to the general public and cannot require a membership in any organization or be provided at locations that are not open to the public during reasonable hours. As defined by the Community Services Advisory Commission (CSAC), social services are the same as a public service as are defined by Section III of the "Social Services Funding Policy.", included as "Attachment A" to this policy; and modified by applicable HUD regulations. Notwithstanding, in no case shall services be construed to include any type of housing assistance; including, but not limited to; project or tenant-based rental assistance, any type of counseling and classes required to be provided for assistance for any housing development, repair, or rehabilitation program; or any type of minor home repair or accessibility improvements made to housing.

a. Public Services Eligible for CDBG Funding

1. The following types of services are unconditionally eligible for CDBG funding:
 - i. *Fair Housing Activities*, including, but not limited to, those dealing with enforcement of Federal, State, or local laws, requirements, or ordinances, fair housing counseling, fair housing education, including those dealing with predatory lenders, fair housing analysis, and legal assistance, among others;
 - ii. *Tenant and Landlord Services*, including, but not limited to, legal assistance to tenants, counseling, and education, among others.
 - iii. *Neighborhood Planning Activities*, including applications from neighborhood organizations recognized by the City.

2. The following types of projects shall be eligible on a conditional basis for CDBG funding. CDBG funding for these activities shall not be provided for more than two years. Funds shall only be provided to develop the capacity of the organization to become self-sufficient. Such organizations shall become self-sufficient by identifying other funding sources; including, but not limited to funding from the Community Services Advisory Commission (CSAC).
 - i. *Legal Services*, not including advocacy services mentioned in Section 3 below, but including services to help build the capacity of not-for-profit organizations, services for the general public, or others not listed elsewhere in this policy.
 - ii. *Child Care Services* that address child care for specific neighborhoods or employers that benefit lower income persons. All such services shall be licensed by the State. The organization must have applied to the Community Services Advisory Commission within two years of the date the application was submitted and not received funding.
 - iii. *Crime Awareness*, including educational programs, neighborhood watch, or other programs designed to enhance crime awareness in lower income neighborhoods.
 - iv. *Employment and Training Programs*, excluding individual self-sufficiency programs of a general nature such as life skills training, job readiness training and job search/placement; but, including targeted employment training, such as vocational training (i.e. construction trade training, as well as employment training targeted for locally defined employment opportunities and targeted industries).
 - v. *Other Services*, not listed in this policy, will be considered for conditional funding on a case-by-case basis in consultation with the Community Services Advisory Commission.

3. The following types of programs shall not be eligible for CDBG funding:

- i. *Youth Services*, including mentoring, tutoring, counseling, summer employment, advocacy, or after school programs, substance abuse treatment and health service, among others.
- ii. *Senior Services*, including personal care, transportation services, companionship, respite, health services and day care, among others.
- iii. *Services for Persons with Disabilities*, including: support for errands, transportation, advocacy, companionship, health services, and assistive technology, among others.
- iv. *Transportation Services*, including services for the elderly, homeless and disabled, and the general public;
- v. *Substance Abuse Services*, including services for subpopulations to include the homeless, disabled, and youth, among others.
- vi. *Battered and Spouse Abuse Services*, including counseling, advocacy, interventions programs, and case management, among others.
- vii. *Services for Abused and Neglected Children*, including crisis care, advocacy and therapy, services for the homeless and foster care placement, among others.
- viii. *Health Services*, including general services, eyeglass, lead poisoning screening and dental.
- ix. *Mental Health Services*, including counseling, health, treatment, and advocacy, among others.

b. Required Level of Service: All CDBG funded public service activities are required to identify and document their level of services, using performance measurement information, required by federal regulations before and after funding with CDBG funds. In no case shall CDBG funding be provided to sustain a level of service that was present at the time of application for CDBG funding. Indicators of performance will generally be defined as the number of persons served by the service, unless another unit of measurement is approved by City staff.

VII. Economic Development Activities

Activities normally provide support for for-profit businesses that create or retain jobs primarily for lower income persons. Income is generally documented through means of an income certification of employees of a business, at least 51% that would need to be low to moderate income at the time they were hired for job creation or at the time the assistance is provided for job retention.

The following types of activities are eligible activities, but are considered moderate priority and should not be funded if higher priorities for feasible projects exist in the funding category:

- Public Infrastructure dedicated to a specific business;
- Micro-Enterprise Assistance through an intermediary organization providing loans to businesses with five or fewer employees;
- Assistance to an agency to create a business incubator for lower income clientele.
- Rehabilitation of Existing Buildings for Commercial /Industrial Use that have been identified as being Historically significant by the State Historic Preservation Officer or the City's Historic Preservation Commission.

The following types of activities are not eligible for CDBG funding, based upon priorities in the City's Consolidated Plan:

- Economic Development technical assistance;
- Rehabilitation of Existing Buildings for Commercial /Industrial Use, except those identified as being historically significant
- Commercial/Industrial Land or Building Acquisition
- Direct Financial Assistance to businesses with more than five employees

