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Notification from U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDGB) Program

On July 1, the City received notice from the U.S. Department of Housing and Urban Development that Ann Arbor is eligible to become a direct grantee of HUD's Community Development Block Grant Program. Ann Arbor's choices are to be direct entitlement grantee, participate through the Michigan CDBG program, or continue to participate as part of an urban county. Washtenaw County qualifies as an urban county. HUD has requested the City respond by July 16.

Unless directed otherwise, I will notify HUD of the City's intent to continue with Washtenaw County.

The City joined the Urban County in FY 2010. There are several reasons for continuing with Washtenaw County.

\* CDBG funds can be used for a variety of activities, as long as they benefit low and moderate (below 80% AMI) individuals. CDBG funds are allocated to member communities on a demographic basis, then are prioritized for expenditure by the community. In Ann Arbor, these funds have recently supported the Peace Neighborhood Center, Community Action Network, and Ann Arbor Housing Commission properties. Funds have also been used for projects within the City of Ann Arbor including single family rehabilitation and human services.

\* The CDBG funds that come to Washtenaw County are limited to use within the eighteen participating jurisdictions. However, for CDBG, each participating community's portion of the overall project allocation is spent within their individual jurisdiction (i.e. City of Ann Arbor allocation is spent on projects within the City), with the exception that human service funding, and owner-occupied rehabilitation projects may be spent anywhere throughout the eighteen urban county member jurisdictions. Based on population, even these latter two programs are disproportionately spent with the city of Ann Arbor and along the urban core communities.

\* If the City were to be direct recipient of CDBG funds, the City would be responsible for developing, adopting, and submitting a five year consolidated plan, Annual HUD Action Plans, annual Comprehensive Annual Performance Reports, environmental reviews on all projects, annual Davis Bacon implementation and reporting, and Section 3 implementation and reporting. These are all conducted now as part of the Urban County and would be duplicated by the City.

One of the original rationales for the City of Ann Arbor joining the Urban County was to eliminate this significant duplication of effort happening at the City and Urban County level. The combined City-County Office of Community Development staffed both efforts, and staff and Council determined that managing two separate and duplicative financial and accounting systems, reporting processes, monitoring processes, intake and eligibility determination, decision-making processes, and implementation processes to be exceedingly resource-intensive. The work involved with administering HUD funds has increased significantly since this decision was originally made.

Based on current workload demands associated with administering these funds, OCED projects that a stand-alone City of Ann Arbor program would require a minimum of six to seven FTE's. An option provided by HUD is for an entitlement city to contract with the urban county. Contracting with OCED to return to administering two programs would require an additional three to four FTE's. Previously when the City administered this program independently (prior to the City-County merger of Community Development Offices) there were seven and a half full time staff dedicated to implementation of the program.

\* Currently 15% of all CDBG funds are identified for human services. The City of Ann Arbor has played an important leadership role in advancing a coordinated approach to meeting local human service needs. Should the City withdraw from the Urban County, it is possible that it would result in reduced commitment to Coordinated Funding from other Urban County members.

\* Withdrawing from the Urban County would impact eligibility for other federal funds. In addition to the CDBG human service funds that come as a result of the City's participation in the Urban County, our community receives \$150,000 in Emergency Shelter Grant (ESG) allocation from HUD. This program currently funds the Shelter Association at Delonis Center, SafeHouse, Ozone House, Salvation Army, and SOS Community Services, and would be lost if the City of Ann Arbor withdraws from the Urban County. When the City of Ann Arbor joined the Urban County, our community surpassed the 200,000 population threshold, which made us eligible to receive a direct Emergency Shelter Grant (ESG) allocation from HUD. Obviously, if the City withdraws, neither the Urban County nor the City of Ann Arbor would be large enough to receive this allocation.

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