



Things to Know About the City of San Marcos Community Development Block Grant Program

Background

San Marcos receives Community Development Block Grant (CDBG) funds from the U. S. Department of Housing and Urban Development (HUD) each year to be used for projects and programs that primarily benefit low to moderate income residents. The City receives approximately \$500,000 each year – the actual funding amount varies from year-to-year. Typically, HUD announces the funding amount for the next program year in mid-spring. The program year begins October 1st and ends September 30th.

The City began receiving these funds as an entitlement community in 1994 – this designation means we are eligible to receive funds directly from HUD instead of competing with other communities for the State of Texas funds provided the City continues to comply with all program regulations.

From 1994 through PY 2015, the City has utilized over \$13,000,000 in CDBG funds to improve the quality of life, including quality of housing, for its low-to-moderate income residents. The City has installed sidewalks, created or upgraded neighborhood parks, supported services provided by local non-profit organizations, built or expanded community centers, rehabilitated owner-occupied houses, provided down-payment and closing costs loans to first-time homebuyers, and purchased land for Habitat for Humanity.

The primary objectives of the CDBG program are achieved by providing: (a) decent housing; (b) a suitable living environment; or (c) expanded economic opportunities. All projects and programs funded through the CDBG grant must address one of three National Objectives:

1. Benefit low-to-moderate income persons
2. Aid in the prevention or elimination of slum or blight
3. Address a need having a particular urgency that cannot be funded from other sources

The CDBG program provides vital funding that can be used for infrastructure, housing, public facilities, economic development, and public services.

Income Limits

HUD establishes the income limits for San Marcos each year based on the Area Median Income (AMI) for a family of four in the Austin-Round Rock Metropolitan Statistical Area. The limits are adjusted based on family size so that larger families are allowed to have more income. A person or family is considered to be “low/mod” if their annual gross income does not exceed 80% of the AMI, adjusted for family size. New income limits are released each year – typically in March or April.

5-Year Consolidated Plan & Priority Needs

One of the requirements of the CDBG program is the production of a 5-year planning document known as a “consolidated plan”. The consolidated plan (Con Plan) establishes the priorities and goals that will guide the use of CDBG funds for the next five years. It includes a Needs Assessment; a Housing Market Analysis; and a Strategic Plan. The current Con Plan covers Program Years 2015 through 2019. A copy of the Con Plan can be found on the City’s website at www.sanmarcostx.gov/cdbg.

Public input and community participation are vital elements of the CDBG program, especially when new plans are being created. The input that was received during the creation of the Con Plan helped the City determine the Priority Needs that are used to determine the goals and objects of the programs and projects that will be funded during the 5-year plan. The objectives can be amended through a process outlined in the Citizen's Participation Plan. The Priority Needs are:

- Affordable Housing
- Public Services
- Public Facilities / Infrastructure / Transportation
- Clearance Activities to remove spot slum/blight
- Program Administration

Timeliness

The CDBG regulations require that grant programs be carried out in a timely manner. A grantee is considered to be in compliance with this requirement if, 60 days prior to the end of the program year (the end of July), there is no more than 1.5 times its annual grant remaining in the federal reporting system's line of credit. Failure to comply with this requirement can result in the loss of funds in the next funding year. ***When funding decisions are being made, it is important to take into account the length of time it will take a program/project to expend funds.***

Project / Program Completion

Another consideration in determining a program or project's viability is the time it will take to complete the project. Projects using Low/Mod Benefit as the National Objective are not considered complete until beneficiaries are being served. If CDBG funds are used to design a sidewalk, for example, no beneficiaries are being served until the sidewalk has been completed – even if CDBG funds are not used to fund the construction. If there are no beneficiaries within a reasonable time, HUD may require the City to repay all CDBG funds invested into the project using the City's funds.

HUD requires documented progress, and generally a construction project must be completed within 3 to 4 years, preferably less.

As a general rule, CDBG funds should not be used as "Seed" money, but rather as "Gap Closing" funds. If an application does not show that all funds needed to complete the project have been secured, Council must evaluate the risk that the project will fail to meet a National Objective and/or cause the City to fail the timeliness test.

Funding Limitations

- At least 70% of the City's grant allocation (excluding program administration funding) must be used for activities that benefit low to moderate income persons – typically the City's percentage exceeds 90%.
- Funding for program administration cannot exceed 20% of the annual allocation. For example, if the allocation is \$500,000, no more than \$100,000 could be used for this purpose.
- Funding for public service programs cannot exceed 15% of the annual allocation. For example, if the allocation is \$500,000, no more than \$75,000 can be expended for this purpose. The City is not required to fund any public services, although it is one of the City's priority needs and the Con Plan projects annual expenditures in this category.

Ineligible Expenses

- CDBG funds cannot be used to pay for fund raising expenses, entertainment, alcoholic beverages, deposits on equipment, incentives to clients (gift cards, raffle prizes), late fees or penalties, or food/meals for staff.
- The purchase of equipment, fixtures, motor vehicles, furnishings, or other personal property that is not an integral structural fixture is generally ineligible. HOWEVER, fire protection equipment, including fire trucks, protective clothing, and specialized tools such as “the jaws of life” ARE eligible expenses.
- The funds cannot be used to build, repair, or operate buildings used for the general conduct of government.
- Funds cannot be used for minor repairs, operating expenses, and general maintenance of public facilities (except as allowed as a public service). Examples of ineligible maintenance and repair activities include filling potholes in streets, repairing sidewalks, or replacing street lights.
- The construction of new housing.

Things to Know about Public Services

“Public Services” is the term the CDBG program uses for funding that supports programs benefitting low-to-moderate income persons. Eligible uses include programs that support senior citizens, youth, homeless persons, abused or neglected children, victims of family violence, education programs, job training, and health care. The expenses of providing these services, including program supplies and staff salaries, are eligible expenses. Adequate documentation must be supplied to support a request for reimbursement; such as time sheets, an approved cost allocation plan, or receipts for purchased supplies.

1. CDBG funds cannot be used to “supplant” (substitute for) funds that were previously paid by the City in support of the program.
2. The first time a new public service program is funded, the applicant must be able to show that:
 - This is a new service or program; or,
 - That this is an existing program/service that has had a quantifiable increase in the level or services or that will have a quantifiable increase if the CDBG funds are provided. For example, if funds are needed to hire an additional counselor, the applicant would have to provide an analysis that estimates the number of additional clients to be serviced by this increase. At the end of the year, the applicant must be able to document that the actual new clients served meets the expectations.
3. A program that has previously received CDBG funds may request the same amount or less than the previous year’s funding without showing a quantifiable increase.

Things to Know about Infrastructure & Public Facilities Projects

Parks and sidewalks must serve an area that has an overall low/mod population of at least 51%. HUD has calculated the low/mod percentages for each census block group in San Marcos – the majority of the block groups in San Marcos have a low/mod percentage that equals or exceeds 51%. In addition, the area must be primarily residential in nature.

Public facilities are generally defined to be buildings that are either publicly owned or owned by a non-profit and operated so as to be open to the general public during normal operating hours.

- If fees are charged for the use of the facility they must be reasonable and not have the effect of preventing low/mod individuals from using the facility;
- At least 51% of the people using the facility must be low/mod, and this must be documented;

- Net profits from the use of the facility are considered program income and must be reported and possibly returned to the City's CDBG account. Any funds that the City allows to be retained by the public facility operators must be reinvested into programs that qualify for CDBG funding, and require approval by the City.
- If CDBG funds are invested in a public facility, it must continue to comply with all CDBG program regulations for a minimum of five years after the project is closed.

Things to Know about Clearance Activities

This category has been used by the City to fund the demolition of unsafe structures and cleaning / clearing the lot afterwards. Because substandard structures have a negative effect on surrounding properties, the National Objective usually used for these programs is the "Prevention / Elimination of Slum or Blight on a Spot Basis".

- Unless funds are budgeted for relocation expenses, the building to be demolished must have been vacant for a minimum of 45 days.
- Income of the property owner does not have to be an eligibility factor if the National Objective is designated as Prevention / Elimination of Slum or Blight.
- The City must document the blighted condition of the property – usually provided by an inspection and report from the City's Building Official or Code Enforcement personnel.
- The City may, but is not required, to place a lien on the property for the cost of the demolition. Any funds "recaptured" due to this lien must be returned to the CDBG program.

Action Plan Process

- CDBG staff schedule a discussion item on a Council agenda in January or February. At this meeting Council may propose projects or programs that might be CDBG-funded and direct staff to submit an application. Public Service program applications are reviewed by the Human Services Advisory Board; Council provides direction on the percentage (up to 15%) of the allocation that may be recommended for funding in this category.
- City staff accepts funding applications from local non-profit organizations and city departments, typically for a four week period.
- During the application period, the City must conduct a Stakeholder Workshop to obtain citizen comments on the Action Plan.
- City staff may also host an Applicant Workshop, although this is not mandatory.
- CDBG staff review applications for eligibility and completeness. If so directed by Council, all applications for Public Services funding are referred to the Human Services Advisory Board. CDBG staff works with this board to clarify eligibility requirements as needed.
- The City is required to take actions to support the Fair Housing Act. This is partially accomplished by publishing advisory notices in English and Spanish, maintaining a Fair Housing section on the City website, and through a Proclamation issued by the Mayor in April.
- The City Council must conduct a public hearing to receive citizen input and funding suggestions prior to reviewing applications.
- City staff prepares a summary of the applications that will be considered and provides copies of the applications for Council's review. Staff will advise the Council of any potential issues or applicable regulations that should be taken into consideration in making their funding decision.

- Council adopts a resolution that outlines what projects and programs will be funded and the amount of each allocation.
- Staff then drafts the Action Plan using HUD's required format. The draft must be made available for public review and comment for a minimum of 30 days. Printed copies of the draft are available for review at the Public Library, City Hall Lobby, and the Development Services office. In addition, the document can be reviewed on-line on the City's website. All comments received are incorporated into the final Action Plan.
- The Action Plan must be received by HUD no later than August 15th. HUD then has 45 days to review the Action Plan and either approve it or request additional information or reject it.
- Once HUD has approved the Action Plan, a funding agreement is sent to the City for signature. Funds become available to the City on October 1st for the new program year.
- After the close of the program year (September 30th), staff prepares an annual report that details the City's performance during the program year. This Consolidated Annual Performance Evaluation Report is usually referred to as the CAPER and must be made available for public review for 15 days.
- Council must hold a public hearing to accept comments on the CAPER; any comments received are included in the final document before it is submitted to HUD.
- HUD must receive the CAPER no later than the last working day of the year and again has 45 days to review it. HUD will then send a letter to the City noting approval of the document or detailing action items that must be satisfied prior to HUD's approval of the CAPER.