Amend 20-21 Annual Action Plan $1.6M CDBG PI

City Council

April 13, 2021

Paul D'Angelo

Community Development
Program Director

THE CITY OF ASHEVILLE



Summary

The Community & Economic Development Department is seeking authorization for the City Manager to submit an amendment to the 2020-21 HUD Annual Action Plan to the U.S. Department of Housing and Urban Development (HUD) authorizing the $1.6M in CDBG Program Income from the sale of Charlotte Street to be used to purchase 65 Ford Street.

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Summary - CDBG Funding

- The City of Asheville receives approximately $1M in our HUD CDBG Annual Allocation for our Community Partners.
- The City can't have more than $1.5M (1.5x Spend Rate) on May 1st - Timeliness Test - to comply with HUD that we are spending these dollars in the community in a timely manner.
- The City currently has approximately $2M in allocated CDBG Funds; with the $1.6M in CDBG Program Income from the sale of Charlotte Street, our balance is $3.6M.
- We need to spend $2.1M by May 1st - $1.5M for the purchase of 65 Ford St. and $600,000 on our subrecipients already under contract - to pass the Timeliness Test.

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Summary - Timeliness Test

- City Staff have discussed this $1.6M in CDBG Program Income since Late Fall 2019 because of the large dollar amount & the HUD Timeliness Test.
- The original plan was to close on the Charlotte St. sale after May 1st, 2020, to provide more time and hence more options on how we could spend these dollars.
- With COVID and normal real estate delays, the City did not receive the $1.6M in proceeds until late December 2020 / early January 2021 and immediately began communicating with City Management about spend options, now very limited with the timeliness test.

Why Purchase 65 Ford Street

- The purchase of 65 Ford Street was far enough along in the process with Council approval, due diligence and HUD Environmental to be able to close with this funding on or around April 23, 2021.
- The purchase is a strategic use of these funds as this purchase meets a national CDBG objective, is an eligible activity, follows a High Priority in the HUD Consolidated Plan, is timely and keeps us HUD Compliant.
- HUD has a longstanding policy of reducing the next year's grant allocation of a grantee that continues to be untimely and may take corrective actions as needed to remedy the deficiency including sanctions.

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Recommendation

Staff recommends the purchase of the 65 Ford Street site and use of CDBG funds for the following reasons:

- This $1.5M purchase of 65 Ford Street invests CDBG Program Income back into the community with the intent of the land being used for affordable housing, ***including homeownership***.
- This land purchase is an eligible use of CDBG PI, is timely to remain HUD compliant & frees up Affordable Housing Bond dollars that are less restrictive than HUD dollars.
- These funds were accounted for in the FY 20/21 HUD Annual Action Plan and staff has been working in tandem with HUD for guidance on this PI and diligently to move this funding into the Community and pass the Timeliness Test.

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QUESTIONS

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