

PLANNING AND ECONOMIC DEVELOPMENT COMMITTEE

13-0343R

RESOLUTION AUTHORIZING TRANSFER OF \$225,000 FROM THE
2012 HUD COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
PROGRAM TO THE 2013 HUD CDBG PROGRAM TO EXPEDITE THE
TIMELY EXPENDITURE OF FUNDS

CITY PROPOSAL:

RESOLVED, that the proper city officials are authorized to make the following fund transfers within the 2012 and 2013 CDBG programs thereby decreasing the 2012 HUD-funded community development account by \$225,000 and increasing the 2013 community development account by \$225,000 from accounts as set forth below:

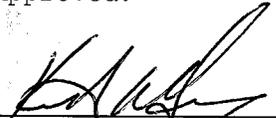
2012 CDBG Program - Fund 262 - Agency 020 - Object 5434 - Project CD12CD

<u>Sub-project</u>	<u>Activity</u>	<u>Project</u>	<u>Amount</u>	<u>New Grant</u>	<u>Difference</u>
HOUS	1734	Duluth Property Rehab Program	\$550,659	\$325,659	(\$225,000)

2013 CDBG Program - Fund 262 - Agency 020 - Object 5434 - Project CD13CD

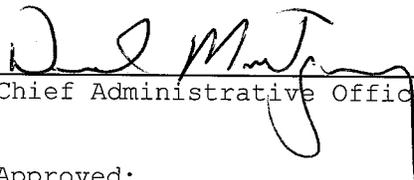
<u>Sub-project</u>	<u>Activity</u>	<u>Project</u>	<u>Amount</u>	<u>New Grant</u>	<u>Difference</u>
HOUS	1734	Housing Resource Connection	\$514,400	\$589,400	\$75,000
HOUS	1091	Weatherization Program	\$180,407	\$330,407	\$150,000

Approved:



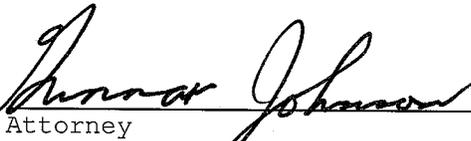
Department Director

Approved for presentation to council:



Chief Administrative Officer

Approved as to form:



Attorney

Approved:



Auditor

CD KO:bel 06/14/2013

STATEMENT OF PURPOSE: The purpose of this resolution is to transfer funds from the HRA's 2012 CDBG Duluth Property Rehab Program to the 2013 Housing Resource Connection and Weatherization Programs. The 2013 Housing Resource Connection is a joint project between the Duluth HRA and One Roof Community Housing. The 2013 Weatherization Program is a joint project between the Arrowhead Economic Opportunity Agency (AEOA) and Ecolibrium3.

On January 31, 2013, HUD notified the City that our CDBG program had a "timeliness" issue. HUD compares the balance of unexpended CDBG dollars (grant funds that have not been spent plus any balances in CDBG funded revolving loan funds) to the City's annual allocation, and if the ratio is more than 1.5, it determines that the expenditure rate is too slow. The City's ratio was 1.58. HUD has required the City to develop and implement a plan to bring the ratio below 1.5 no later than October 1, 2013.

The funds being transferred from the HRA's 2012 Rehab Program had been designated for the rehab of rental properties. Since 2012, the Housing Resource Connection was successful in securing \$700,000 from the State of Minnesota for deferred loans for rental rehabs. At the same time, the HRA's rental rehab revolving loan fund had earmarked \$250,000 for the Seaway Hotel that was replaced by the Greater Minnesota Housing Fund (GMHF). The result was more rental rehab funds available than can be spent this year, while at the same time, there is a shortfall in dollars available for One Roof's acquisition, rehab and resale program, which is a program within in the Housing Resource Connection. The transfer of dollars to the Housing Resource Connection 2013 CDBG grant will allow One Roof to acquire and rehab 6 homes this summer.

Recently, Ecolibrium3 approached the Community Development office asking to use a small portion of their existing CDBG funding for a pilot project to assist low- and moderate-income homeowners that are underutilizing natural gas. These households most likely heat their homes with fuel oil, and would benefit greatly by converting their mechanical systems (heating and hot water) to gas. A few households that Ecolibrium3 had been able to help convert using other funds realized an average annual savings of \$1,062, and reduced their carbon emissions by an average of 7041 pounds per year. Their research identified at least 750 households in Lincoln Park and West Duluth could be potential candidates for a conversion program. Because this work can happen relatively quickly, Ecolibrium3 could expend \$150,000 within the next few months assisting 22 households. Therefore, staff is recommending the transfer of funds to support this pilot project. Ecolibrium3 has discussed this concept with the City's Comfort System utility, and they are also very supportive.