



**TO:** Mayor Chuck Barney  
Members of the City Council

**FROM:** John R. Zakian, DR Grant Program Manager & Chief Resilience Officer

**DATE:** February 16, 2018

**SUBJECT:** **CDBG-DR Allocation #1 Substantial Amendment #15**

**I. RECOMMENDED ACTION**

Authorize the HUD Process to Commence for Allocation #1 Substantial Amendment #15

**II. DEPARTMENT CONTACT PERSONS**

John R. Zakian, DR Grant Program Manager & Chief Resilience Officer, 423-4528

**III. DESCRIPTION**

A. Background

HUD rules governing CDBG-DR Allocation #1 require that when new activities are desired to be created that there needs to be a Substantial Amendment made to the original Action Plan which describes the new activities and identifies the reallocation of grant funds necessary to carry out these activities. There have been 13 Amendments approved for Allocation #1. Both technical amendments and substantial amendments need to be tracked as amendments in sequential order. Also before the City Council at the same Committee of the Whole is an Allocation #1 technical amendment which is being identified as Non-Substantial Amendment #14. Therefore, this amendment will be Substantial Amendment #15. The HUD rules set forth a process to follow for a Substantial Amendment which is to first consult with HUD (this is not the approval process) and after consulting with HUD raising no initial objections, proceed to post the Substantial Amendment on the website and make reasonable efforts to alert the public to the amendment allowing written public comments to be submitted, and after the public comment period is closed, the Substantial Amendment is submitted to HUD with inclusion of the public comments and city responses to the public comments. HUD rules for Allocation #1 waive the requirements for the CDBG entitlement program which requires 30-day public comment period and a public hearing. The waiver grants no need or requirement for a public hearing and only requires a minimum 7-day. The previous Substantial Amendments for Allocation #1 have followed the waiver minimum standards at 7-day comment period. There is nothing in the HUD rules which does not allow for a longer period. Therefore, it is suggested for this Substantial Amendment that we allow a 21-day public comment period because we are adding two new activities and so much time has elapsed since the initial Action Plan for Allocation #1 was approved.

B. Proposed Project

Substantial Amendment #2 proposes the creation of two new activities each to be funded with \$800,000 in unused funds for a total of \$1.6 million. One activity will seek to address the problem of spot blighted homes in the FEMA 100-year flood plain which have been dubbed Zombie properties by seeking to acquire them and demolish them. The plan is to work in conjunction with the First Health District Unit. Allocation #1 did fund a voluntary

acquisition program but this activity will fall under the HUD provisions of an involuntary acquisition program because it may be necessary with the most distressed and hazardous homes posing health, safety, and welfare threats to affected neighborhoods to be required to pursue condemnation proceedings if such property cannot be amicably acquired. The foremost goal is to protect and preserve the well-being of neighborhoods. Should efforts undertaken by the city to acquire induces a property owner to fully rehabilitate the property to acceptable standards and code, then pursuit of acquisition will be stopped.

The second new activity is to establish a revolving loan program to help for profits that can demonstrate direct or indirect adverse impact from the flood. Recognizing that there are business and commercial areas throughout the flood impacted zones, the plan calls for these loans to be provided to eligible for profit entities in the downtown and within the FEMA 100 year flood plain. Loans will be able to be use for both capital and working capital needs, and it will be needed to demonstrate that applicants do not have access to more traditional sources of financing. We are not now required to identify the entity to operate the revolving loan fund so the amendment lists multiple options. Also, the terms and conditions of loans, and caps on the amount of a loan will be subsequently set in policies and procedures which will require the approval of the City Council. The intent of this activity is to coordinate with modest existing programs such as one administered by the Souris Basin Planning Council to assure there is no duplication of effort and to maximize ability to leverage the funds.

**IV. IMPACT:**

A. Strategic Impact:

Creation of this revolving loan fund is to stimulate new investment in downtown and the surrounding area at a critical time to support and encourage sustainable growth. It also provides important follow through to the major infrastructure investment recently completed in the downtown to demonstrate to multiple federal agencies the city's commitment to following through on growth and revitalization in the downtown and surrounding areas. Addressing the blighted home situation is a proactive initiative to support neighborhoods with homeowners and property owners who have already invested in restoring the vitality if these areas.

B. Service/Delivery Impact:

These two new activities address key elements of sustaining sustainable resilient growth both in preserving the stability of residential neighborhoods and continuing commercial growth within the downtown and surrounding commercial areas.

C. Fiscal Impact:

The \$1,600,000 is being redeployed from an unspent balance of more than \$2 million from closed out projects and activities.

**V. ALTERNATIVES**

N/A

**VI. TIME CONSTRAINTS**

NA

**VII. LIST OF ATTACHMENTS**

- i. Copy Allocation #1 Substantial Amendment #15