



## Legislation Text

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**City Council Meeting Date:** January 7, 2020

**To:** Mayor and City Council  
City Administrator

**From:** Janine Atchison, Housing Coordinator

Community Development Block Grant - Consider Adopting Resolution in Support of Fiscal Year 2020 Allotment of Program Funds.

**Action Requested:**

The Northfield City Council consider adopting the attached Resolution in support of fiscal year (FY) 2020 program allotment for Community Development Block Grant (CDBG) funds.

**Summary Report:**

The Federal Community Development Block Grant (CDBG) Program was established to develop viable urban communities, provide decent housing and strive to create better living environments. CDBG funding furthers economic development opportunities for low- and moderate- income persons and to eliminate blight conditions.

Since 1984, the Dakota County Community Development Agency (CDA) has received and administered Federal CDBG Program funds for Dakota County. The CDBG Program provides grants to Dakota County to distribute to participating cities and townships.

The City of Northfield has a 3-year Cooperation Agreement with the Dakota County Community Development Agency (CDA) to conduct and promote housing & other programs utilizing Community Development Block Grant funds. Each year the City of Northfield has the opportunity to apply for CDBG funds to utilize for various HUD approved programs. The City of Northfield received an allocation of \$61,591 in FY 2019. The FY 2020 allocation is expected to remain the same.

The City Council is the responsible authority for determining the use of allocated funds of CDBG grants. CDBG grant funds can be used for the following activities:

- Acquisition/Disposition
- Demolition/Clearance
- Economic Development Activities
- Rehabilitation
- General Administration
- Relocation
- Public Facilities/Improvements
- Public Services
- Planning
- Homeownership Assistance

For a full description of CDBG eligible activities, refer to the CDBG Eligible Activities and Definition attachment.

The Northfield Community Development Department has been responsible for managing CDBG program funds for Dakota County. As noted earlier, the City Council is the authority for determining use of funds. The City of Northfield has used some of the CDBG funds in the past for park improvements, funding of the Northfield Community Resource Center (NCRC) and commercial building rehabilitation improvements. In recent history, CDBG funds have been used exclusively for affordable housing related programs. The Community Development Department again explored continuing the use of CDBG funds for affordable housing with the 2020 funding request.

Community Development Department staff worked with the HRA in 2019 to determine potential CDBG uses of funds and options. City staff and the Northfield Housing & Redevelopment Authority (HRA) are recommending the City Council adopt the Resolution in support of utilizing FY 2020 CDBG for Residential Rehabilitation and Down Payment Assistance for first time homebuyers. The allocation will provide \$33,797 to the Residential Rehabilitation Program and \$27,794 for the Down Payment Assistance Program. The following provides a summary of the program and funding:

#### Residential Rehabilitation Program

The Residential Rehabilitation (Res Rehab) program serves Northfield homeowners whose incomes are below 80% of the area median income (AMI). The Res Rehab program has traditionally served income-qualified families who own a single family home, townhouse or condominium. The program provides zero percent interest, deferred loans, up to \$20,000, for needed repairs and improvements. The current CDBG balance available for Res Rehab funds is \$22,689.

In 2019, the Res Rehab program expanded to include a Manufactured Housing Rehab (MH Rehab) program at Viking Terrace. The MH Rehab program is separate from the Res Rehab program in that each program has different requirements. Manufactured homes are built to a different standard/code and are licensed in the same manner as a vehicle. The homeowner does not own the land upon which the home is situated. Although the two programs are separate, CDA still lists all the available funding together under Res Rehab. The program provides zero percent interest, deferred loans/grants, up to \$20,000, for needed repairs and improvements. This is a new program, which will kick off in early 2020. The current CDBG balance available for MH Rehab funds is \$61,591.

#### Down Payment Assistance Program

The Down Payment Assistance Program (DPA) serves first time homebuyers whose incomes are below 80% of AMI. With anticipated program changes, qualified applicants can apply for up to \$25,000 in zero percent interest, deferred loans for down payment and closing costs. The loans do not come due until the homeowner sells or refinances the property.

In November 2019, housing market reports indicated the average sale price of a home in Northfield was \$281,000. The DPA loan allows moderate & low-income families to build equity and share in other advantages of owning a home. When DPA loans are paid, the money remains in a revolving fund and utilized to make new loans. The current CDBG balance available for DPA is \$17,206.

#### Item of Note: Rice County and Federal Community Development Block Grants

The City of Northfield is an eligible and participating City and includes allocation formula based on the portion

of Northfield located in Dakota County. Northfield does not receive Federal CDBG funds via Rice County as they are not eligible for receiving direct allocation.

**Alternative Options:**

The City Council could entertain uses outside of housing related funding for CDBG funds. However, affordable housing is a strategic priority of the City under our three year plan and the residential rehab program and down payment assistance program are programs whose outcomes are intended to preserve and expand affordable housing in Northfield. Additionally, there was substantial review and vetting of these programs determined by the HRA. The City Council could look at other uses, but we would recommend if this were of interest that we would review that over a longer period of time and review more comprehensively alternatives options and analysis. Therefore, staff would not recommend an alternative option at this time.

**Financial Impacts:**

There is no financial impact to the City of Northfield. Utilizing CDBG Funds, the CDA reimburses all loans/grants made by the City/HRA for sanctioned programs such as Res Rehab, MH Rehab and DPA. The HRA pays any costs incurred, such as professional fees, not reimbursed by the CDA.

**Tentative Timelines:**

The FY 2020 CDBG application deadline is January 17, 2020. The CDA must receive the application and resolution of support by this date.