



Legislation Text

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City Council Meeting Date: January 5, 2021

To: Mayor and City Council
City Administrator

From: Melissa Hanson, Housing Coordinator

Community Development Block Grant - Consider Adopting Resolution in Support of Fiscal Year 2021 Allotment of Program Funds.

Action Requested:

The Northfield City Council consider adopting the attached Resolution in support fiscal year (FY) 2021 (July 1, 2021 - June 30, 2022) program allotment for Community Development Block Grant (CDBG) funds.

Summary Report:

The CDBG program authority began under Title I of the Housing and Community Development Act of 1974. This Act consolidated eight categorical grant programs including Open Space, Urban Renewal, Neighborhood Development Programs, Historic Preservation, Model Cities supplemental, and Neighborhood Facilities, Water and Sewer and Public Facilities loans.

The Title 1 Housing and Community Development Act of 1974 objective is to develop viable urban communities that provide decent, safe and sanitary housing, a suitable living environment and expanded economic opportunities primarily for persons of low and moderate income. The U.S. Department of Housing and Urban Development (HUD) administers the CDBG program and provides funds, or grants, to state and local governments, or grantees or recipients.

Dakota County participates in the CDBG program as an Entitlement County and receives funds each year directly from HUD. The Dakota County Community Development Agency (CDA) is considered a subgrantee or administrator of CDBG funds. Dakota County has several participating cities and townships that receive CDBG funds and implement CDBG activities. The City of Northfield is an eligible and participating city to receive CDBG funds as a portion of the city resides in Dakota County. The City of Northfield does not receive Federal CDBG funds via Rice County as they are not eligible to receive direct allocation.

The City of Northfield has a 3-year Cooperation Agreement with the CDA to conduct and promote housing and other community enhancing programs utilizing CDBG funds. Each year the City of Northfield has the opportunity to apply for CDBG funds to utilize for various HUD approved programs. The estimated allocation for the City of Northfield for FY 2021 is \$65,033.

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

- Acquisition/Disposition
- Demolition/Clearance
- Economic Development Activities
- Rehabilitation

- Relocation
- Public Facilities/Improvements
- Public Services
- Planning
- Homeownership Assistance

The City of Northfield Community Development Department has assumed administrative responsibility for managing the CDBG program funds for Dakota County. In the past, The City of Northfield has used some of the CDBG funds for park improvements, funding of the Northfield Community Resource Center (NCRC) and commercial building rehabilitation improvements. In recent years, CDBG funds have been used exclusively for affordable housing related activities.

Community Development Department staff worked with the Housing and Redevelopment Authority (HRA) in 2020 to determine potential CDBG uses of funds and options. Staff is recommending the City Council adopt the Resolution in support of utilizing FY 2021 CDBG for Residential Rehabilitation and Down Payment Assistance for first time homebuyers. The allocation will provide \$35,840 to the Residential Rehabilitation Program and \$29,472 for the Down Payment Assistance Program. The following provides a summary of the programs and funding:

Residential Rehabilitation Program

The Residential Rehabilitation (Residential Rehab) program serves Northfield homeowners whose incomes are at or below 80% of area median income (AMI). The Residential Rehab program has traditionally served income-qualified families who own a single family home, townhouse or condominium. The program provides zero percent (0%), deferred loans, up to \$20,000, for needed repairs and improvements. The current CDBG balance available for Residential Rehab funds is \$47,679.

In 2019, the Residential Rehab program expanded to include a pilot Manufactured Home Rehabilitation (MH Rehab) program at Viking Terrace Mobile Home Park. The MH Rehab program is separate from the Residential Rehab program and 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 Residential Rehab. The program provides zero percent (0%) interest, deferred loans/grants, up to \$20,000, for needed repairs and improvements. This new pilot program just started taking applications fall 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 at or below 80% AMI. Qualified applicants can receive up to \$25,000 in zero percent (0%) interest, deferred loans for down payment and closing costs. The loans do not come due for repayment until the homeowner no longer uses the property as their primary residence, sells, or refinances the property.

In November 2020, the St. Paul Area Association of Realtors (SPAAR) reports that the average sale price of a single family home, townhome or condominium in the City of Northfield is \$294,175. The DPA loan aids low- and moderate-income families to attain homeownership in our community. When a DPA loan is paid back, the money remains in a revolving fund and utilized to make new loans. The current CDBG balance available for DPA is \$44,539. The amount of available revolving funds is \$25,439

Alternative Options:

The City Council could explore alternative uses outside of housing related activities for CDBG fund allocation. Staff recommends Council allow for enough time to vet and coordinate potential uses of CDBG funds with Dakota County CDA due to Federal regulations that they are required to abide. Affordable housing is a strategic priority of the City under the most recent three (3) year plan. The Residential Rehab and DPA programs are programs whose outcomes are intended to preserve and expand affordable housing in Northfield. Therefore, Staff would not recommend an alternative use for CDBG funds allocation at this time.

Financial Impacts:

CDBG funds are accessed by the City of Northfield through a reimbursement process. The Dakota County CDA reimburses loans/grants made by the City of Northfield through the HRA for preapproved activities such as Residential Rehab, MH Rehab and DPA. There is no financial impact to the City of Northfield, unless Dakota County CDA receives less than what is projected from HUD. In which case, the HRA would use funds from reserves to bridge the gap between projected and actual funds available to the City of Northfield through CDBG.

Tentative Timelines:

The FY 2021 CDBG application deadline is January 15, 2021.