City of Longview

1525 Broadway
Longview, WA 98632
www.ci.longview.wa.us

City Council

Mayor MaryAlice Wallis
Mayor Pro Tem Michael Wallin
Council Member Ruth Kendall
Council Member Chet Makinster
Council Member Steve Moon
Council Member Christine Schott
Council Member Hillary Strobel

Thursday, April 22, 2021 | **6:00 PM** | **Virtual Meeting**

NOTICE IS HEREBY GIVEN, in accordance with RCW Chapter 42.30, that the City Council of the City of Longview, Washington, will conduct a virtual Zoom meeting on Thursday, April 22nd, at 6:00 p.m.

For information about Zoom accessibility, please contact the City Clerk's Office at 360-442-5041.

Please click the link below to join the meeting:
https://us02web.zoom.us/j/83463819014

Telephone options (you may need to try more than one number if you receive a busy signal):

Dial any of the following numbers:

1-253-215-8782
1-669-900-6833
1-346-248-7799
1-408-638-0968
1-646-876-9923
1-301-715-8592
1-312-626-6799

Meeting ID: 834 6381 9014

1. **CALL TO ORDER**

2. **ROLL CALL**

3. WORKSHOP

21-000698 CITY OF LONGVIEW HOME AND CDBG GRANT PROGRAMS:
1) CDBG SECTION 108 LOAN PROGRAM OPTIONS AND DISCUSSION
2) HUD CONSOLIDATED PLAN UPDATE REQUIRED THIS SPRING 2021
3) ANNUAL HOME & CDBG GRANT PROGRAM 2021 ALLOCATION PRIORITIES

4. ADJOURNMENT

NEXT REGULAR COUNCIL MEETINGS:
THURSDAY, MAY 13, 2021- 7:00 P.M.
THURSDAY, MAY 27, 2021- 7:00 P.M.

NEXT COUNCIL WORKSHOPS:
THURSDAY, JUNE 10, 2021 - 6:00 P.M. UPDATE ON HOSWWA ACTIVITIES

HOME AND CDBG GRANT PROGRAM WORKSHOP

APRIL 22, 2021

WORKSHOP AGENDA ITEMS

- CDBG SECTION 108 LOAN OPTIONS AND DISCUSSION
  - Interest has been expressed in the CDBG loan program available to the City. Currently 1.6 million in borrowing capacity exists.
- HUD 5 YEAR CONSOLIDATED PLAN UPDATE REQUIRED BY SUMMER 2021
  - This required guiding document asks how an estimated 3.4 million should be spent over 5 years on affordable housing and low-income households.
- ANNUAL HOME & CDBG GRANT PROGRAM 2021 ALLOCATION PRIORITIES
  - Review what projects to request proposals for this year.

SECTION 108 LOANS- LEVERAGE 5 YEARS OF CDBG ALLOCATIONS

- The Section 108 Loan Guarantee Program (Section 108) provides communities with a source of low-cost, long-term financing for economic and community development projects. Section 108 financing provides an avenue for communities to undertake larger, more costly projects, where they may have limited resources to invest in upfront.
- Section 108 can fund economic development, housing, public facilities, infrastructure, and other physical development projects, including improvements to increase their resilience against natural disasters. This flexibility of uses makes it one of the most potent and important public investment tools that HUD offers to states and local governments.
- Section 108 assistance can be deployed in two ways:
  - Directly by the community or its governmental or non-profit partner to carry out an eligible project, or
  - Indirectly with a community or its partner re-lending (or, in limited circumstances, granting) the funds to a developer or business to undertake an eligible project
- Learn more about Section 108 from this HUD webinar video: https://www.hudexchange.info/trainings/courses/section-108-loan-guarantee-program-as-a-financing-tool/

SECURING THE LOAN WITH FUTURE CDBG ALLOCATIONS AND COLLATERAL

- Local governments borrowing funds guaranteed by HUD through the Section 108 Program must pledge their current and future CDBG allocations as security for the loan, however, the goal of the program is for projects to have sufficient cash flow to repay the loan without any need for current or future CDBG contributions.
- Although HUD relies on this pledge of CDBG funds as security, it cannot assume that CDBG funds will always be available. Thus, in order to receive a Section 108 loan guarantee, the Recipient must furnish additional collateral to ensure that the loan guaranteed by HUD is an acceptable credit risk. Examples of additional collateral include liens on real property and pledges of tax increment revenue.
  - Typical CDBG Award: $310,000 x 5 = $1,550,000 total Section 108 Loan.
    - This year the borrowing capacity of the City is $1,639,770
  - The maximum repayment period for a Section 108 loan is 20 years.
  - Loan Rate is similar to government bonds. Loan guarantee fee was 2.58% in 2016.

ELIGIBLE SECTION 108 PROJECTS

For purposes of determining eligibility, the CDBG rules and requirements also apply. All projects and activities must either principally benefit low- and moderate-income persons, aid in the elimination or prevention of slums and blight, or meet urgent needs of the community.

Activities eligible under Section 108 include:

- Acquisition of real property
- Rehabilitation of publicly owned real property
- Housing rehabilitation eligible under CDBG
- Construction, reconstruction, or installation of public facilities (including street, sidewalk, and other site improvements)
- Related relocation, clearance, and site improvements
- Loan to for-profit businesses for economic development purposes
- Payment of interest on the guaranteed loan and issuance costs of public offerings
- Debt service reserves
- Finance fees
- Public works and site improvements in colonias
- In limited circumstances, affordable housing construction

PROJECTS NOT ELIGIBLE FOR 108 LOANS

There are some activities eligible under CDBG that are not eligible for Section 108, such as public services.

Projects that are not CDBG eligible and are thus not eligible for Section 108 loans include the following:

- Projects where the public benefits standards have been triggered (often for economic development projects) and where a sufficient level of public benefit is not achieved are ineligible.
- Buildings used for the conduct of government are also ineligible even if they are to be funded as a commercial enterprise. For example, even though office buildings may be eligible in general as an economic development activity, an office building that will house a City Hall is not acceptable.
- Projects that do not meet a national objective are not eligible. It is important to remember that while development of a high tech manufacturing facility may be an eligible special economic development activity, it cannot be funded unless it also meets a national objective.
- All other projects deemed ineligible under 24 CFR 570.207(a) cannot be undertaken as a large-scale development project.

HOW A CDBG 108 LOAN COULD WORK IN LONGVIEW

- Typical CDBG Award: $310,000 x 5 = $1,550,000 total Section 108 Loan.
- The maximum repayment period for a Section 108 loan is 20 years.
- Loan Rate is similar to government bonds. Loan guarantee fee was 2.58% in 2016.

Example 1: The City secures a 1.5 million dollar loan for eligible public infrastructure such as replacing water mains in a low-income area. The loan is backed by future CDBG awards and guaranteed utility fees/utility taxes. The City continues to receive annual CDBG grants after the loan is made and can pay down the loan with the annual CDBG grants or utility bill receipts or both.

Example 2: A developer committed to providing low income housing partners with the City to construct new housing. The City secures a 1.5 million dollar section 108 loan to pay for utility connections and site improvements for the developer. The developer constructs the housing and pays the City back with rents over 20 years. The loan is guaranteed by future CDBG grant allocations, a lien on the developers property and future rent receipts. The city continues to receive annual CDBG awards after the loan is made.

Example 3: The City identifies an eligible project with no income generating potential- a park or public facility like a shelter. The City secures a 1.5 million dollar loan and pays it back with 5 years of CDBG grants. The loan is secured by future CDBG grants and the city's general funds. The City has obligated 5 years of anticipated CDBG awards and must use them to pay down the loan or find other grants to invest in the project to pay down the debt. Note this model is not consistent with the stated goal of the section 108 loan program for projects to have cash flow to pay down the debt.

SECTION 108 LOANS PROS AND CONS

Pro

- Loan is guaranteed by HUD for projects that may be difficult to fund with other sources.
- Low interest rate
- City still receives annual CDBG awards
- In limited circumstances, can be used for new housing construction, where annual CDBG cannot
- Loan administration costs can be paid from annual CDBG allocations, not subject to 20% administration fee cap.

Con

- Limited to $1.5 million (estimated)
- Underwriting and administration capacity will require expert consultant assistance or a really experienced 3rd party development partner.
- Loan fees and interest combined with administration cost likely require funds to go toward an income generating project as the loan cost will exceed the 5 years of anticipated CDBG allocations used to secure the loan.

HUD CONSOLIDATED PLAN UPDATE BY JULY 2021

- The city of Longview receives Community Development Block Grant (CDBG) funding from the U.S. Department of Housing and Urban Development (HUD). The cities of Longview and Kelso receive HOME Investment Partnership funding from HUD through their consortium. A requirement for receipt of these two funding grants is to prepare a Consolidated Plan covering a five-year period.
  - The update is an opportunity to re-focus spending priorities and establish 2-year funding commitments to reduce the number of projects that are being administered.
- Staff has hired a consultant to complete an update of the consolidated plan for years 2020-2024.
  - The City is currently operating under a COVID waiver that suspended plan updates for 1 year.
- Agenda attachment asks several questions about priorities, goals and target areas, where input is needed.
- Future meetings will include a public hearing and then formal adoption of the updated plan.
- Updates will be posted online: https://www.mylongview.com/650/Consolidated-Plan-Update-2020-2024

ANNUAL CDBG GRANT PROGRAM 2021 PRIORITIES

CDBG Federal Allocation	**$327,954.00**
Administration (15%)	(49,193.10)
Planning Activities (5%)	(16,397.70)
Public Service Set-Aside (15%)	(49,193.10)
= Available for Entitlement	$213,170.10

- Request for proposals to include Public facilities, food banks, and youth services. Planning Activities will be open.
- Archie Anderson Park Building will likely request $213,170 from entitlement.

ANNUAL HOME GRANT PROGRAM 2021 PRIORITIES

Consortium HOME allocation amount	$366,284
Administration amount (10%)	$36,628.40
CHDO Set Aside (15%)	$54,942.60
CHDO Operations (5%)	$18,314.20
Balance (70%)	$256,398.80
Kelso HOME (25%)	$64,100
Longview portion of balance 75%	$192,299.10

- Request for proposals to include rental housing, rent assistance.
- The housing authority, HOSWWA will request $150,000 (the second half of the $300,000 request for new housing construction at 38th Avenue and Pennsylvania St).

HUD Consolidated Plan Update Process

The city of Longview receives Community Development Block Grant (CDBG) funding from the U.S. Department of Housing and Urban Development (HUD). The cities of Longview and Kelso receive HOME Investment Partnership funding from HUD through their consortium. A requirement for receipt of these two funding grants is to prepare a Consolidated Plan covering a five-year period.

The goal of the Consolidated Plan is to develop viable urban communities by providing decent housing, suitable living environments, and expanding economic opportunities, principally for low- and moderate-income persons. The Consolidated Plan includes four basic parts:

1) **Needs Assessment** – this part provides a clear picture of a jurisdiction's needs related to affordable housing, special needs housing, community development, and homelessness.
2) **Market Analysis** – this part describes the significant characteristics of the housing market, including the supply, demand, condition and cost of housing.
3) **Strategic Plan** – this part identifies the priority needs for the city and describes strategies that the City will undertake to serve the priority needs.
4) **Action Plan** – the City must complete an Annual Action Plan (AAP) that summarizes the activities and projects that will take place during the year to address the priority needs and goals identified in the Strategic Plan.

Need to find more information?

For more information about the 2020-2024 Consolidated Plan Update, please visit https://www.mylongview.com/650/Consolidated-Plan-Update-2020-2024

What are the current priorities and goals of the City's Consolidated Plan?

Geographic Target Areas

Low income neighborhoods that exhibit higher than normal indicators of instability (owner/renter ratios, mobility and transience, presence or absence of family households, police calls for service, poor condition of housing stock, etc.) were selected as target areas or preferred investment areas.

Longview

- Highlands Neighborhood - Washington Way to Oregon Way; 30th Ave./Beech Street to Industrial Way
- Downtown - Washington Way/15th to 12th Avenue; New York Avenue to Douglas Street
- Broadway Neighborhood - 7th Avenue to 11th; Douglas Avenue to Broadway
- Olympic West Neighborhood - Ocean Beach to Washington Way; 30th to 34th
- City-wide - To reduce concentrations of poverty, increase self-sufficiency and promote fair housing opportunities

Question(s):

- Are these target areas still accurate?

Kelso

- South Kelso - Ash to Cedar, Pacific to 8th Avenue
- North Kelso - N. 2nd and N. 3rd Avenue, North of Redpath Street
- West Kelso - NW 2nd/3rd north of Cowlitz Way Bridge
- City-wide - To reduce concentrations of poverty, increase self-sufficiency and promote fair housing opportunities

Question(s):

- Are these target areas still accurate?

Priority Needs

The priority needs in the 2014-2019 Consolidated Plan include:

1. Improve the quality of the housing stock
2. Reduce extreme cost burdens and increase housing
3. Provide needed public improvements
4. Increase opportunities for homeownership
5. Expand economic opportunities for self-sufficiency

In 2019, the cities said they would evaluate how the market responds to increased demand for housing and increasing rents for households.

Question(s):

- Are these priorities still accurate?

Goals

The goals established in the 2014-2019 Consolidated Plan include:

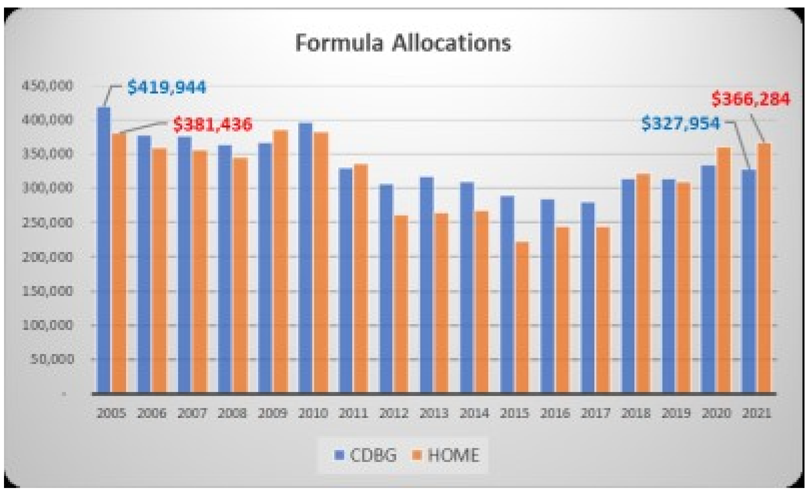
- Stabilize and revitalize neighborhoods
- Promote thriving commercial districts and options
- Reduce the numbers and shorten homelessness

Question(s):

- Are these goals still current for the next five years?

Moving Forward

Allocation of CDBG and HOME Investment Partnership funds to Longview and Kelso has



declined over the years. For 2021, Longview is allocated $327,954 in CDBG funds and the Kelso-Longview HOME Consortium receives $366,284.

What can CDBG funds be used for?

- Acquisition of Real Property – often an interim step to address blight or physical decay
- Public Facilities and Improvements – cannot be used for the general conduct of government except to remove barriers that restrict mobility and accessibility
- Clearance – could be used to demolish buildings and improvements and removal of environmental contaminants
- Public Service – must be a new service or a quantifiable increase in level of service, and limited to 15% of annual grant and program income
- Rehabilitation – can be used to rehabilitate property
- New Housing Construction – cannot be used for housing but for other eligible activities, such as public improvements (e.g. sidewalks, water, sewer)

- Code Enforcement – limited to areas that are deteriorating in a low- and moderate-income neighborhood
- Economic Development and Microenterprise Assistance – improvements or assistance tied to public benefit for low income persons
- Homeownership Assistance – fund to help assist in purchase of a home
- Planning and Administration – limited to 20% of annual grant and program income

What can HOME funds be used for?

- Tenant-based rental assistance – assisting with rent
- Homeownership Assistance – funds to help assist in the purchase of a home
- Rental Housing – funds to assist with creating new rental housing

Question(s):

- Are CDBG and HOME funds leveraging other funding sources?
- Are there other needs and priorities that should be considered with these funds?
- Are the CDBG and HOME funds being allocated and managed efficiently?
