



- City Council will conduct a public hearing to review CGAC recommendations at the August 6, 2018 regular meeting. The city will submit the Annual Action Plan to HUD no later than August 15.
- FY 2018-2019 program year for the Consolidated Grant Program begins October 1, 2018.

#### **BACKGROUND INFORMATION:**

- Proposed use of Consolidated Grant Program funds must benefit residents in McKinney city limits. Use of funds must operate in compliance with federal and local government requirements. Grant agreements require compliance with financial management, documentation and recordkeeping. There may not be a prohibited interest between the organization and the city. Funds may not be used for lobbying or religious activities or to promote religious or sectarian beliefs. Federal funds requires awarded organization to minimum requirements related to civil rights, environmentals, employment practices and conduct. All organizations regardless of funding award must be willing and able to comply with city insurance requirements prior to the execution of an agreement.
- **Community Development Block Grant (CDBG).** Use of CDBG funds specifically must adhere to at least one program national objective of predominately benefiting low-to-moderate income persons; eliminating slum and blighted conditions, or addressing an urgent need.
- City funded programs under CDBG include the Housing Rehabilitation Program and the Community Economic Development programs. Applications from eligible participants are reviewed and processed year-round if requirements are met and available funding.
- For agencies to qualify for public service or housing funding, agencies must:
  - Been operating for at least three years prior to the application deadline (CDBG) and for at least one year prior to deadline (CSG).
  - All agencies must be a non-profit, tax exempt 501(c)(3) organization, good standing with the State of Texas, and must have an active Board of Directors in compliance with IRS Section 501(c)(3).
  - Organization must procure and maintain insurance, as required by the City of McKinney.
  - Any property taxes or other liabilities due to the City of McKinney must be paid in full.
  - Minimum award is \$ 5,000.
- In addition, the following activities **MAY NOT** be assisted with CDBG funds per federal regulation:
  - The purchase of equipment, fixtures, motor vehicles, furnishings, or other personal property not an integral structural fixture is generally ineligible.
  - The construction of new permanent residential structures is not eligible, unless done by a HUD-qualified non-profit organization. Purchase of land on which to build affordable homes, however, is an eligible activity.
  - CDBG funds may not be used for political purposes or to engage in partisan political activities, or for lobbying of local, state, and federal legislators.
  - Long term subsistence payments (*longer than a three month period*) for such needs as rent and utilities are ineligible.
  - Landscaping and tree trimming are not eligible expenses.
  - Mortgage payments for agency properties are not eligible, although rent payments may be eligible if the building is one in which services are provided directly to clients.
  - Administrative costs which do not provide direct services to clients. *Examples:* The salary of

an administrative assistant who does not work directly with clients would be an ineligible cost. The rent for administrative office space would NOT be an eligible expense, unless services provided are directly from that office space.

- **Community Support Grant (CSG).** The CSG program provides public service funding to agencies or programs that benefit McKinney residents, not limited to low-to-moderate income persons. Minimum award is \$3,000. Funds subject to General Fund resources. All funding occurs during the budget cycle; off-budget cycle funding may be granted in the rare instance that additional funds become available and must adhere to the same review process.

Grant priorities include:

- Basic Needs: including Food and Clothing; Housing and Shelter and Non-Financial Assistance
  - Health and Medical Treatment: Including Mental Health
  - Housing: Financial Assistance
  - Transportation: The sole service being provided (public service)
- Under the Consolidated Grants Program, an applicant's award may not exceed 50% of the agency's annual budget and typically shall not be more than 25%.
  - The City of McKinney will not fund the following:
    - The full duplication of services or programs offered by the City of McKinney and/or other non-profit agencies.
    - Social functions, parties, receptions, fund-raising benefits, refreshments or beverages.
    - Licensing fees of any kind.
    - Underwriting, investments, bonds, or any financial obligation.
    - Interest and/or depreciation on loans, fines, penalties, or costs of litigation.

#### **FINANCIAL SUMMARY:**

- The U.S. Department of Housing and Urban Development (HUD) notified the city of its estimated FY 2018-2019 allocation in the amount of \$758,765. Federal regulations requires 15% of the grant for public services and only 20% used for grant administration. Under these statutory requirements, the Public Services Grant program will have a total funding pool of \$113,814. The total budget for Grant Administration is \$151,753, and Non-Public Services account for the remaining balance of \$493,198 under Housing Rehabilitation and Community Economic Development.
- Community Development funding is leveraged with the FY 2018-2019 Community Support Grant (CSG) under the General Fund for public services. Estimated funding pool anticipated to be \$125,685; funding is unconfirmed until the approval of the city budget in September.