

2015 - 2016 Community Development Block Grant (CDBG) Report

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TABLE OF CONTENTS

INTRODUCTION.....	3
2015 ALLOCATION.....	3
Table 1. <i>2015 HUD Allocation- Budgeted Funding</i>	4
DETERMINATION OF NEED.....	4
CATEGORIES OF FUNDING.....	5
Commerce Fellows Capacity Building.....	5
Economic Development.....	5
DEQ Infrastructure.....	7
Use of Recaptured Funds.....	8
Table 2. <i>Grants Awarded With Recaptured Funds</i>	8
TECHNICAL ASSISTANCE	8
PROJECT DESCRIPTIONS	10
Table 3 <i>Grants awarded July 1, 2015-June 2016 with recaptured funds.</i>	10
Table 5. <i>Grants awarded July 1, 2015-June 2016 with HUD 2015 allocation.</i>	11

INTRODUCTION

The United States Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) funds help local governments improve deteriorating residential neighborhoods, support public services, install water and sewer facilities for residential areas or provides funds to job-creating industrial sites, and provide loans or grants to large and small businesses. The North Carolina Department of Commerce's Rural Economic Development Division administers CDBG Economic Development funds for economic development activities, while funds for CDBG residential infrastructure activities are administered by the North Department of Environmental Quality.

SECTION 15.5(f) By September 1, 2016, the State CDBG, Department of Commerce, shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the use of Community Development Block Grant Funds appropriated in the prior fiscal year. The report shall include the following:

- (1) A discussion of each of the categories of funding and how the categories were selected, including information on how a determination was made that there was a statewide need in each of the categories.
- (2) Information on the number of applications that were received in each category and the total dollar amount requested in each category.
- (3) A list of grantees, including the grantee's name, county, category under which the grant was funded, the amount awarded, and a narrative description of the project.

This report outlines funding distributed during the 2015-2016 State fiscal year (FY2015-2016) of July 1, 2015 to June 30, 2016 with the HUD 2015 program allocation, as well as with recaptured funds from previous program years. For project descriptions of individual grants, see Tables 3-4.

2015 ALLOCATION

In the 2015 HUD allocation year, North Carolina received \$43,725,220 for the State of North Carolina's CDBG program. In the 2015 Annual Action Plan submitted to HUD, the State specified that it would provide assistance through the following programs: Economic Development and Infrastructure based on Session Law 2013-363. CDBG funds were reallocated to two program areas, CDBG Economic Development administered through NC Commerce Rural Economic Development Division and CDBG Infrastructure administered through N C Department of Environmental Quality. Because of this law, these are the two categories listed yearly in the HUD Annual Plan to reflect the legislative changes. This report also contains projects funded with prior year allocations during this fiscal year.

With 2015, after deducting administrative support of \$1,037,500, approximately \$42,687,720 was available for distribution statewide using competitive and non-competitive approaches. Housing related activities (infrastructure) committed was \$26,865,079 (62.93%). The remaining funds of \$15,822,641 million (37.07%) were designated for economic development and other non-housing related activities. All unused funds were designated for infrastructure and economic development projects unless otherwise stated in the Legislative Budget,

Table 1 below shows the proposed allocation of funds from the 2015 Annual Action Plan and the budgeted allocation of funds upon receipt of the HUD grant.

Table 1. 2014 HUD Allocation- Budgeted Funding

Description	Proposed in 2015 Annual Action Plan to HUD		Received 2014 Allocation From HUD	
	Amount	Percent	Amount	Percent
HUD Grant to State	\$43,725,220		\$43,725,220,	
State Administration	\$1,037,500		\$1,037,500	
Available For Distribution	\$42,687,720		\$42,687,720	
Category	Budget	Percent	Budget	Percent
Infrastructure	\$26,865,079	62.93%	\$26,865,079	62.93%
Economic Development	\$15,822,641	37.07%	\$15,822,641	37.07%
TOTAL	\$43,725,220	100.00%	\$43,725,220	100.00%

Accomplishments of the grants awarded with the 2014 HUD allocation that were not awarded until 2015 will be highlighted in the 2016 Consolidated Annual Performance Evaluation Report (CAPER) to HUD in March of 2017. Goals laid out in the 2016 Annual Action Plan have been met in most categories.

DETERMINATION OF NEED

Commerce saw continued success of the CDBG program in assisting low-to-moderate income persons with infrastructure improvements. The CDBG Program provided direct and indirect housing assistance to approximately 23,805 households/persons during the federal reporting period of January 2015-December 2015. Encapsulating all of the CDBG programs to include infrastructure, urgent needs, and other community development activities, households were provided assistance ranging from clean drinking water, improved public services, housing rehabilitation, and, economic development to help lift

them out of poverty, employment possibilities that were non-existent prior to the business moving to where they lived, and community development needs that was previously unobtainable.

The need for the categories of the CDBG program was determined by comments generated at public hearings across the state. The CDBG Economic Development grant category is the only statewide program that specifically targets job creation or retention for low and moderate income persons. With a statewide unemployment rate of 4.7% (June 30, 2016)¹, there is a critical need for new jobs with benefits for low and moderate income households in North Carolina

CATEGORIES OF FUNDING

The State assisted individuals and families through the following major funding categories in the State FY 2015-2016 with the HUD 2015 CDBG program Allocation and de-obligated funds: Commerce Fellows Capacity Building, Infrastructure, and Economic Development.

Commerce Fellows

The UNC SOG and ECU **Commerce Fellows** Training Package is composed of sought-after School courses that address the breadth and depth of issues related to community development. The series provides **Commerce Fellows** grantees with the flexibility to build the skills of the many actors involved in North Carolina's community development efforts.

Number of Applications Received: 4

Dollar Amount Requested: \$117,500 including de-obligated funds

Awards: Commerce awarded (4) applications for Commerce Fellows with 2011 de-obligated funds.

Economic Development

Community Development Block Grant (CDBG) is a US Housing and Urban Development (HUD) program that provides an annual allocation of funds to the State for rural economic development and residential infrastructure projects. DEQ administers the rural residential infrastructure program and the Department of Commerce administers the economic development program. CDBG economic development provides grants to local governments for creating and retaining jobs. Funding for projects is based on the number of jobs to be created and the level of distress in the community applying for the funds. Sixty percent of the jobs created or retained in a project must be for persons qualifying as prior low and moderate income (LMI). A LMI person is defined by HUD as someone having 80% or less of

¹ U.S. Bureau of Labor Statistics, <http://www.bls.gov/web/laus/laumstrk.htm>

the median income in the County they reside. CDBG funds are granted to local governments for various types of *infrastructure improvements* to assist *private for-profit businesses* to create or retain jobs. A local funding match of at least 25% of the determined need is required except in the 25 most distressed counties.

Funds are also granted to local governments that propose a project in conjunction with a *private for-profit business* that proposes to *restore a vacant building* to economic use resulting in the creation of permanent, full-time jobs by the project company. To be eligible, documentation must be provided showing the building has been vacant thirty (30) consecutive days or more prior to the pre-application meeting. CDBG funds provided to the company by the local unit of government will be in the form of a forgiven loan. The loan has a term of five years with no principal or interest payments. If the project company retains the jobs pledged in the loan agreement for the five- year term, the entire loan amount is forgiven. Security acceptable to both the Department of Commerce and local unit of government must be provided by the building owner.

The CDBG economic development program also manages a Revolving Loan Fund (RLF). Funding from the RLF is available only as loans for economic development activities. A loan to local governments for financing industrial shell buildings is one of the two uses of ED RLF. Shell building loans carry a 2% interest rate with a maximum term of 5 years. Principle payments are deferred for the first two years of the loan. A dollar for dollar match is required by the local government applicant for an industrial shell building. The ED RLF also makes loans to local governments for use in providing infrastructure required to develop a publicly controlled industrial site. Industrial site development loans carry a 2% interest rate for a maximum term of seven years with interest only for years one and two.

The CDBG downtown redevelopment program upgrades existing buildings in rural downtowns. Vacant or underutilized privately held commercial buildings with code violations or dilapidated conditions are eligible for assistance. By restoring blighted buildings to full economic potential, the expected outcome of this program is to spur new job creation and investment. Jobs are not a requirement to projects in blight category. CDBG funds provided to the building owner by the local unit of government will be in the form of a forgiven loan. The loan has a term of four years with no principal or interest payments. If the building owner maintains control of the property for four years after the renovation work, the entire loan amount is forgiven. Security acceptable to both the Department of Commerce and local unit of government must be provided by the building owner.

The funding categories for the CDBG economic development program were developed in response to input from the Secretary of Commerce, NC Economic Development Association, local economic development developers, and from the Economic Development Partnership of NC. The economic development professionals in the state indicated there was a need for infrastructure support for industrial sites as well as the need to provide assistance for the renovation of vacant deteriorated industrial building especially in rural areas. The level of funding available to local governments is based on the Department's policy of providing more resources for the most distressed counties in the state.

15 applications were received in the CDBG economic development category and all were funded. The total dollar amount of funded grants was \$9,698,051.

Infrastructure – NC Department of Environmental Quality

The CDBG-Infrastructure Program in the Division of Water Infrastructure funds critically needed water and sewer infrastructure in the most financially needy communities in the State. These funds are appropriated for such use by the North Carolina General Assembly, in SL2013-363, Section 15.15A and Section 5.16(a). The application process is a competitive one, with points assigned to different critical needs. The point scheme is weighted toward funding the poorest communities with the highest residential water and sewer rates for 5000 gallons of usage, relative to the median household income of the community. The program can fund rehabilitation and replacement projects, projects that extend water and/or sewer service to homes with failing wells and failing septic systems, and projects that mitigate problems for which a community has received regulatory orders. According to the local government commission staff, over 150 towns in North Carolina are considered to be financially troubled units, and typically it is due to issues with the local government's water and/or wastewater system.

A total of 75 applications from 71 different units of general local government were received for the FY 2015 appropriation of \$26,865,079. Those 75 applications requested a total of \$122,150,933 or nearly five times the amount of grant funding available.

A total of 16 projects were awarded funding, obligating the entire \$26.8 million appropriation. See the table attached listing out the funded projects, the amounts granted, and descriptions of the projects.

USE OF RECAPTURED FUNDS

Some grants are not awarded with a specific HUD allocation program year. These funds are a result of recapture, reversion (de-obligation), and program income. Table 2 below illustrates the number of grants and funding awarded during the State fiscal year of July 1, 2015 to June 30, 2016 with recaptured funds. For project descriptions of individual grants, see Tables 3. Accomplishments of these grants are highlighted in the annual CAPER to HUD.

TECHNICAL ASSISTANCE

Technical Assistance (TA) funds are used to develop the professional skills and capabilities of local community development grant administrators. Funds are not only used for State CDBG staff to attend workshops and conferences, but used to hold a variety of workshops, conference calls, and seminars throughout the year, taught by Commerce staff and others. In 2015 and 2016, technical assistance priorities included: (1) increased technical assistance to local governments and their agents that furthers the goals and priorities of the CDBG program, (2) training in compliance to both local governments and CDBG staff (3) increased support for workshops, seminars, and training for grantees and staff.

Commerce continued to partner with East Carolina University, and the School of Government at the University of North Carolina at Chapel Hill. The purpose of this academy is to train community development professionals in best practices and to make them aware of all possible resources at their disposal as they attempt to better the living conditions and economic opportunity of their residents. The participants represent practitioners from the public sector. Commerce worked closely with university staff to help tailor the curriculum for the participants. In addition to the CD Academy at UNC, Commerce CDBG staff made presentations to 5 Electric Membership Cooperatives (EMC), Rural Infrastructure Authority, Council of Governments Association, and Wilmington Business Development, Inc.

the DEQ CDBG-Infrastructure Unit conducted 24 different trainings during FY 2015-2016, and spoke at six other events. In addition to one-on-one consultation with local governments, councils of government, and consultants, State CDGB staff members provided technical assistance to a number of local governments.

As reported in the CAPER to HUD, Commerce held numerous workshops throughout the year. Topics included CDBG programs and application process requirements, energy efficiency and conservation, Section 3, limited English proficiency, affirmatively furthering fair housing, federal labor standards, and the environmental review process. Grant-specific workshops were held for the Infrastructure Grant category. The Division participated in a full-day workshop for grantees and contractors concerning Labor Standards requirements.

In addition, notifications for any workshop and training opportunities provided by Commerce and the Rural Economic Development Division, HUD, DEQ and our partners are

distributed on the Division's various listservs and distribution lists, and posted on our website to inform the public and grantees.

PROJECT DESCRIPTIONS

The tables on the following pages detail the grants awarded by HUD allocation, grant category, county name where project is located, name of grantee/designation, grant amount, and project description.

Table 2. Grants awarded July 1, 2015-June 2016 with recaptured funds.

Category	County	Grantee Name	Designation	Award Date	Grant Amount	HUD Allocation	Project Description
Commerce Fellows	Wayne	Town of Fremont	Town	12/14/15	\$22,500.00	B-11-DC-37-0001	CDBG funds were used to provide training opportunities and staff capacity to local government staff.
Commerce Fellows	McDowell	McDowell County	County	12/14/15	\$22,500.00	B-11-DC-37-001	CDBG funds were used to provide training opportunities and staff capacity to local government staff.
Commerce Fellows	Halifax	Roanoke Rapids	City	12/14/16	\$50,000.00	B-11-DC-37-001	CDBG funds were used to provide training opportunities and staff capacity to local government staff.
Commerce Fellows	Pinetops	Edgecombe	Town	12/14/15	\$22,500.00	B-11-DC-37-001	CDBG funds were used to provide training opportunities and staff capacity to local government staff.

Table 3. Grants awarded July 1, 2015-June 2016 with HUD 2014 and 2015 allocation. Includes funds from Revolving Loan Fund (RLF)

Grant Category	County	Grantee Name	Designation	Award Date	Grant Amount	HUD Allocation	Project Description
Economic Development	Davidson	Denton	Town	7/2/2015	\$131,250	B-14-DC-37-0001	Infrastructure/water
Economic Development	Davidson	Thomasville	City	7/6/2015	\$120,000	B-14-DC-37-0001	Building up fit
Economic Development	Davidson	Lexington	City	7/9/2015	\$750,000	B-14-DC-37-0001	Building up fit
Economic Development	Hoke	Raeford	City	7/13/2015	\$1,000,000.00	B-14-DC-37-0001	Infrastructure/sewer
Economic Development	Martin	Martin	County	9/24/2015	\$750,000.00	B-14-DC-37-0001	Building up fit
Economic Development	Robeson	St. Pauls	Town	9/25/2015	\$1,000,000.00	B-14-DC-37-0001	Infrastructure/sewer
Economic Development	Edgecombe	Edgecombe	County	10/23/2015	\$500,000.00	B-14-DC-37-0001	Water, sewer, and road infrastructure
Economic Development	Robeson	Lumberton	City	11/3/2015	\$495,041.00	B-14-DC-37-0001	Demolition
Economic Development	Robeson	Robeson	County	11/17/2015	\$240,000.00	B-14-DC-37-0001	Infrastructure/rail
Economic Development	Davie	Mocksville	Town	1/11/2016	\$221,760.00	B-14-DC-37-0001	Infrastructure/rail
Economic Development	Davidson	Thomasville	City	2/8/2016	\$240,000.00	B-14-DC-37-0001	Building up fit
Economic Development	Davidson	Davidson	County	3/15/2016	\$750,000.00	B-14-DC-37-0001	Building up fit
Economic Development	Richmond	Richmond	County	4/30/2016	\$2,400,000.00	B-14-DC-37-0001	Water, sewer, road, gas
Economic Development	Catawba	Conover	City	5/27/2016	\$600,000.00	B-14-DC-37-0001	Water, sewer, road
Economic Development	McDowell	Marion	City	6/18/15	\$500,000.00	B-14-DC-37-0001	Building up fit

DEQ Infrastructure	Halifax	Scotland Neck	Town	6/29/2015	\$1,563,78.00	B-15-DC-37-0001	Installation of sewer lines
DEQ Infrastructure	Halifax	Scotland Neck	Town	6/29/2015	\$1,287,400.00	B-15-DC-37-0001	Replace waterlines
DEQ Infrastructure	Craven	Dover	Town	6/29/2015	\$737,200.00	B-15-DC-37-0001	Replace water lines and interconnect with Craven County
DEQ Infrastructure	Duplin	Duplin	County	6/29/2015	\$3,000,000.00	B-15-DC-37-0001	Replace gravity sewer lines
DEQ Infrastructure	Duplin	Warsaw	Town	6/29/2015	\$3,000,000.00	B-15-DC-37-0001	Replace 17,300 LF of 6 inch waterlines
DEQ Infrastructure	Robeson	Red Springs	Town	6/29/2015	\$2,025,000.00	B-15-DC-37-0001	Replace sewer lines
DEQ Infrastructure	Wilson	Saratoga	Town	6/29/2015	\$1,143,942.00	B-15--DC-37-0001	Replace 5600 LF of 8 inch PVC sewer line
DEQ Infrastructure	Columbus	Tabor City	Town	3/3/3016	\$2,000,000.00	B-15-DC-37-0001	Replace 6700 LF of gravity sewer lines
DEQ Infrastructure	Cherokee	Andrews	Town	3/3/3016	\$2,000,000.00	B-15-DC-37-0001	Replace 4150 LF of 8" DIP with associated manholes
DEQ Infrastructure	Pitt	Ayden	Town	3/3/3016	\$1,031,725.00	B-15-DC-37-0001	Replace 1300 LF of waterlines and 1000 LF of gravity sewer collection
DEQ Infrastructure	Johnston	Selma	Town	3/3/3016	\$1,289,900.00	B-15-DC-37-0001	Extend 1450 LF of 8" gravity sewer lines
DEQ Infrastructure	Catawba	Long View	Town	3/3/3016	\$1,965,700.00	B-15-DC-37-0001	Replacement of 3400 LF of waterlines and sewer lines
DEQ Infrastructure	Wilson	Elm City	Town	3/3/3016	\$775,000.00	B-15-DC-37-0001	Replacement of 6,225 LF of 6" waterlines
DEQ Infrastructure	Mitchell	Bakersville	Town	3/3/3016	\$1,999,500.00	B-15-DC-37-0001	Replace 6800 LF waterlines and install 270 new meters
DEQ Infrastructure	Bertie	Aulander	Town	3/3/3016	\$1,741,549.00	B-15-DC-37-0001	Rehabilitate 5170 LF of gravity sewer lines.
DEQ Infrastructure	Montgomery	Troy	Town	5/24/2016	\$1,304,383.00	B-15-DC-37-0001	Project will rehabilitate water and sewer lines in 3 low income areas.