

To the Mayor and Members of the City Council**March 1, 2016**

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**SUBJECT: MODEL BLOCKS PROGRAM EXPENDITURES**

This Informal Report presents a brief history of the Model Blocks Program (“Program”), provides details on eligible activities for funding under the Program, and discusses unspent balances for active Model Blocks projects.

The Neighborhood Services Department (NSD) is responsible for administering funds under the Program. The Program, in existence from 1994 to 2007, used federal grant funds that were awarded to designated areas through a competitive application process. Each Model Blocks neighborhood received approximately \$1.2 million in federal funding: one-half in Community Development Block Grant (CDBG) funds and one-half in HOME Investment Partnership Grant (HOME) funds. The aim of the Program was to promote neighborhood revitalization in low- to moderate-income communities per guidelines established by the U.S. Department of Housing and Urban Development (HUD). Citizens provided input on spending priorities through community-led planning sessions with City staff. In some instances, community-based non-profit organizations were created to implement projects in the designated neighborhoods. Funds were expended on projects such as street resurfacing, sidewalk construction and improvements, streetscape and streetlight improvements, vacant/abandoned property acquisition, infill housing construction, single-family home improvements, and community center improvements as well as non-profit organizational costs.

A total of eighteen (18) designated Model Blocks neighborhoods were awarded funding under the Program. Currently, four Model Blocks projects are still technically active: South Hemphill Heights in Council District 9; and Stop Six, Carver Heights East, and Historic Carver Heights in District 5.

Per HUD guidelines, grant funds must be encumbered or expended within seven years or must be returned. “Earmarked” project funds under the Program are those not expended in a timely fashion. In order to avoid the risk of the City repaying or forfeiting funds to HUD, these funds were repurposed for other eligible projects/activities in order to meet HUD timeliness requirements. This action ensured that the allocation for each Model Blocks neighborhood could be maintained once future project funding could be identified.

In total, \$1,247,772.49 in funds were reprogrammed for other eligible projects/activities in order to meet timeliness requirements established by HUD. Another \$75,182.45 was paid back to HUD after an audit had found certain unreasonable costs for expenditures in the Carver Heights East Model Block project. Currently, the Carver Heights East and Historic Carver Heights Model Block projects have remaining balances of \$23,923.47 and \$172,196.30, respectively. South Hemphill Heights and Stop Six both had funds from their respective programs repurposed for other eligible projects. The South Hemphill Heights Model Block project has an earmarked balance of \$709,578.28 and the Stop Six Model Block project has an earmarked balance of \$740,367.98. The funds for Stop Six and South Hemphill Heights were repurposed to support the Columbia at

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Renaissance Square development project. Funding from a recent year and/or program income will be available for the earmarked project if said project is ready for implementation.

A requirement of the Program was to spend the allocated funds only within the boundaries of the Model Blocks neighborhood as designated. These funds can be spent on any CDBG or HOME-eligible activity.

The NSD staff recommends that the remaining funds be used for capital investments that demonstrate visible and positive physical improvements in these neighborhoods, such as home repairs, single family infill development, streetscape improvements, vacant/abandoned property acquisition and demolition. NSD will work to develop a sound and timely investment strategy to meet this objective. If additional information or clarification is needed, please contact Aubrey Thagard, Neighborhood Services Department Director at 817-392-8187.

David Cooke
City Manager