

2016 - 2017 Community Development Block Grant (CDBG) Report

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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 provide 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 (REDD) administers CDBG Economic Development funds for economic development activities, while funds for CDBG residential infrastructure activities are administered by the North Carolina Department of Environmental Quality (NC DEQ).

SECTION 15.5(f) By September 1, 2017, 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 2016-2017 State fiscal year (FY2016-2017) of July 1, 2016 to June 30, 2017 with the HUD 2016 program allocation, as well as with recaptured funds from previous program years. For project descriptions of individual grants, see Tables 2 and 3.

2016 ALLOCATION

In the 2016 HUD allocation year, North Carolina received \$43,901,389 for the State of North Carolina's CDBG program. In the 2016 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 NC Department of Environmental Quality. Because of this law, the two categories

listed yearly in the HUD Annual Action Plan reflect the legislative changes. This report also contains projects funded with prior year allocations during this fiscal year.

After deducting administrative support of \$1,037,500, approximately \$42,863,889 was available for distribution statewide using competitive and non-competitive approaches. Housing-related activities (infrastructure) committed was \$26,969,014 (62.93%). The remaining funds of \$15,894,875 (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 depicts the proposed and received allocation of funds from the 2016 Annual Action Plan and the budgeted allocation of funds upon receipt of the HUD grant.

Table 1. 2016 HUD Allocation Budgeted Funding

Description	Proposed in 2016 Annual Action Plan to HUD & Received 2016 Allocation from HUD		Received 2015 Allocation from HUD	
	Amount	Percent	Amount	Percent
HUD Grant to State	\$43,901,389		\$43,725,220	
State Administration	\$1,037,500		\$1,037,500	
Available for Distribution	\$42,863,889		\$42,687,720	
Category	Budget	Percent	Budget	Percent
Infrastructure	\$26,969,014	62.92%	\$26,865,079	62.93%
Economic Development	\$15,894,875	37.08%	\$15,822,641	37.07%
Distribution Total	\$42,863,889	100.00%	\$42,687,720	100.00%

Accomplishments of the grants awarded with the 2015 HUD allocation that were not awarded until 2016 will be highlighted in the 2017 Consolidated Annual Performance Evaluation Report (CAPER) to HUD in March of 2018. The goals laid out in the 2017 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 proposed to provide direct and indirect housing assistance to approximately 41,104 households/persons during the reporting period of January 2016 - December 2016. 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, and housing rehabilitation. Funds were also used for economic development to help lift individuals out of poverty, to create employment possibilities that were non-existent prior to the business moving to where they lived, and to meet community development needs that were 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 4.2% (June 30, 2017), the criticality of the need for jobs for low and moderate income persons remains a prevailing concern for the Department of Commerce.

CATEGORIES OF FUNDING

The State assisted individuals and households through the following major funding categories in the State FY 2016-2017 with the HUD 2016 CDBG program allocation and de-obligated funds: Commerce Fellows Capacity Building, Infrastructure, and Economic Development.

Commerce Fellows

The UNC School of Government and East Carolina University's Commerce Fellows training program is comprised 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 and capacity of the many practitioners involved in North Carolina's community development efforts.

Number of Applications Received: 9

Dollar Amount Awarded: \$399,676.01

Awards: Commerce awarded (9) applications for Commerce Fellows with 2004 de-obligated funds. (Refer to Table 2.)

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 (ED) 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 the median income of the county in which 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 forgivable loan. The loan has a term of five years with no principle 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 a loan for economic development activities. A loan to local governments for financing industrial shell buildings is one of the two uses of the ED RLF. Shell building loans carry a 2% interest rate with a maximum term of five 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. The expected outcome of this program is to spur new job creation and investment by restoring blighted buildings to full economic potential. Jobs are not a requirement for projects in the blight category. CDBG funds provided to the building owner by the local unit of government will be in the form of a forgivable loan. The loan has a term of four years with no principle 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, the 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 buildings, especially in rural areas. The level of funding available to local governments is based on the Department's policy of providing more resources to the most distressed counties in the state.

Twenty-three applications were received in the CDBG Economic Development category, and all were funded. The total dollar amount of funded grants was \$18,366,221.

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 competitive, 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 51 applications from 49 different units of general local government were received for the FY 2016 appropriation of \$26,969,014. Those 51 applications requested a total of \$75,141,223.

A total of 19 projects were awarded funding, obligating the entire \$26.9 million appropriation. Refer to Table 3, which lists 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/de-obligation and program income. Table 2 illustrates the number of grants and funding awarded during the State fiscal year of July 1, 2016 to June 30, 2017 with recaptured funds. 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 2016 and 2017, 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; and (3) increased support for workshops, seminars, and training for grantees and staff.

Commerce continues to partner with East Carolina University and the School of Government at the University of North Carolina at Chapel Hill. As a result of this partnership, Commerce Fellows grant recipients receive community development training in best practices and become more aware of the many 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.

The DEQ CDBG-Infrastructure Unit conducted 28 trainings during FY 2017 and spoke at two national 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.

Additionally, notifications for any workshop and training opportunities provided by Commerce, 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.

Awarded Grants

The figure and tables on the following pages detail the grants awarded by HUD allocation, grant category, county, local unit of government, grant amount, and project description.

Table 1. Grants Awarded July 1, 2016 – June 30, 2017 with Recaptured Funds

Category	County	Grantee Name	Designation	Award Date	Grant Amount	HUD Allocation	Project Description
Commerce Fellow s	Avery	Avery County	County	7/19/2016	\$50,000.00	B-04-DC-37-0001	CDBG funds w ere used to provide training opportunities and staff capacity to local government staff.
Commerce Fellow s	Beaufort	Beaufort County	County	7/19/2016	\$50,000.00	B-04-DC-37-0001	CDBG funds w ere used to provide training opportunities and staff capacity to local government staff.
Commerce Fellow s	Watauga	Beech Mountain	Tow n	7/19/2016	\$50,000.00	B-04-DC-37-0001	CDBG funds w ere used to provide training opportunities and staff capacity to local government staff.
Commerce Fellow s	Casw ell	Casw ell County	County	7/19/2016	\$30,476.01	B-04-DC-37-0001	CDBG funds w ere used to provide training opportunities and staff capacity to local government staff.
Commerce Fellow s	Sampson	Clinton City	City	7/19/2016	\$19,200.00	B-04-DC-37-0001	CDBG funds w ere used to provide training opportunities and staff capacity to local government staff.
Commerce Fellow s	Harnett	Harnett County	County	7/19/2016	\$50,000.00	B-04-DC-37-0001	CDBG funds w ere used to provide training opportunities and staff capacity to local government staff.
Commerce Fellow s	Hyde	Hyde County	County	7/19/2016	\$50,000.00	B-04-DC-37-0001	CDBG funds w ere used to provide training opportunities and staff capacity to local government staff.
Commerce Fellow s	Jones	Jones County	County	7/19/2016	\$50,000.00	B-04-DC-37-0001	CDBG funds w ere used to provide training opportunities and staff capacity to local government staff.
Commerce Fellow s	Madison	Madison County	County	7/19/2016	\$50,000.00	B-04-DC-37-0001	CDBG funds w ere used to provide training opportunities and staff capacity to local government staff.
Economic Development	Mitchell	Spruce Pines	Tow n	12/9/2016	\$100,000.00	B-13-DC-37-0001	Water/Sew er Infrastructure Improvements
Economic Development	Rutherford	Forest City	Tow n	12/15/2016	\$141,689.00	B-14-DC-37-0001	Sew er Infrastructure Improvements

Table 2. Grants Awarded July 1, 2016 - June 30, 2017 with HUD 2015 and 2016 Allocation, including Funds from Revolving Loan Fund (RLF)

Category	County	Grantee Name	Designation	Award Date	Grant Amount	HUD Allocation	Project Description
Economic Development	Franklin	Louisburg	Town	8/24/2016	\$1,700,000.00	B-15-DC-37-0001	Sewer Infrastructure Improvements
Economic Development	Richmond	Richmond County	County	8/24/2016	\$545,000.00	B-15-DC-37-0001	Building upfit
Economic Development	Wilkes	Wilkesboro	Town	8/24/2016	\$1,900,000.00	B-15-DC-37-0001	Sewer Infrastructure Improvements
Economic Development	Davidson	Thomasville	City	10/20/2016	\$200,000.00	B-15-DC-37-0001	Building upfit
Economic Development	Clay	Hayesville	Town	8/18/2016	\$500,000.00	B-15-DC-37-0001	Building upfit
Economic Development	Rutherford	Rutherfordton	Town	8/18/2016	\$311,000.00	B-15-DC-37-0001	Building upfit
Economic Development	Martin	Williamston	Town	8/18/2016	\$335,500.00	B-15-DC-37-0001	Building upfit
Economic Development	Chatham	Siler City	Town	12/15/2016	\$1,500,000.00	B-15-DC-37-0001	Sewer Infrastructure Improvements
Economic Development	Rutherford	Forest City	Town	12/15/2016	\$1,358,311.00	B-15-DC-37-0001	Sewer and water Infrastructure Improvements
Economic Development	Scotland	Scotland County	County	12/15/2016	\$1,350,000.00	B-16-DC-37-0001	Rail siding Infrastructure Improvements
Economic Development	Randolph	Liberty	Town	2/16/2017	\$400,000.00	B-16-DC-37-0001	Water Infrastructure Improvements
Economic Development	Franklin	Louisburg	Town	2/16/2017	\$750,000.00	B-16-DC-37-0001	Building upfit
Economic Development	Surry	Elkin	Town	2/16/2017	\$300,000.00	B-16-DC-37-0001	Building upfit

Table 3. (continued)

Economic Development	Beaufort	Washington	City	2/16/2017	\$500,000.00	B-16-DC-37-0001	Building upfit
Economic Development	Ashe	West Jefferson	Town	2/16/2017	\$349,410.00	B-16-DC-37-0001	Building upfit
Economic Development	Edgecombe	Edgecombe County	County	4/24/2017	\$367,000.00	B-16-DC-37-0001	Demolition
Economic Development	Martin	Martin	County	4/24/2017	\$620,000.00	B-16-DC-37-0001	Building upfit
Economic Development	Johnston	Selma	Town	4/24/2017	\$750,000.00	B-16-DC-37-0001	Building upfit
Economic Development	Cleveland	Shelby	City	4/24/2017	\$3,000,000.00	B-16-DC-37-0001	Sewer Infrastructure Improvements
Economic Development	Burke	Valdese	Town	4/24/2017	\$500,000.00	B-16-DC-37-0001	Demolition
Economic Development	Martin	Robersonville	Town	4/24/2017	\$150,000.00	B-16-DC-37-0001	Building upfit
Economic Development	Alexander	Alexander County	County	6/22/2017	\$740,000.00	B-16-DC-37-0001	Building upfit
Economic Development	Davidson	Lexington	City	6/22/2017	\$240,000.00	B-16-DC-37-0001	Building upfit
DEQ Infrastructure	Pitt	Ayden	Town	4/13/2017	\$968,000.00	B-16-DC-37-0001	Sewer Infrastructure Improvements
DEQ Infrastructure	Columbus	Brunswick	Town	4/13/2017	\$1,276,000.00	B-16-DC-37-0001	Sewer Infrastructure Improvements
DEQ Infrastructure	Burke	Burke County	County	4/13/2017	\$2,000,000.00	B-16-DC-37-0001	Water Infrastructure Improvements
DEQ Infrastructure	Yancey	Burnsville	Town	4/13/2017	\$900,000.00	B-16-DC-37-0001	Sewer Infrastructure Improvements

Table 3. (continued)

DEQ Infrastructure	Duplin	Faison	Town	4/13/2017	\$498,485.00	B-16-DC-37-0001	Sewer Infrastructure Improvements
DEQ Infrastructure	Pitt	Fountain	Town	4/13/2017	\$1,915,000.00	B-16-DC-37-0001	Sewer Infrastructure Improvements
DEQ Infrastructure	Greene	Greene County	County	4/13/2017	\$2,000,000.00	B-16-DC-37-0001	Sewer Infrastructure Improvements
DEQ Infrastructure	Duplin	Greenevers	Town	4/13/2017	\$1,638,800.00	B-16-DC-37-0001	Sewer Infrastructure Improvements
DEQ Infrastructure	Gaston	High Shoals	City	4/13/2017	\$1,594,905.00	B-16-DC-37-0001	Sewer Infrastructure Improvements
DEQ Infrastructure	Cherokee	Murphy	Town	4/13/2017	\$2,000,000.00	B-16-DC-37-0001	Sewer and Water Infrastructure Improvements
DEQ Infrastructure	Moore	Robbins	Town	4/13/2017	\$2,000,000.00	B-16-DC-37-0001	Water Infrastructure Improvements
DEQ Infrastructure	Washington	Roper	Town	4/13/2017	\$1,092,000.00	B-16-DC-37-0001	Sewer Infrastructure Improvements
DEQ Infrastructure	Rutherford	Rutherfordton	Town	4/13/2017	\$190,000.00	B-16-DC-37-0001	Water Infrastructure Improvements
DEQ Infrastructure	Wilson	Saratoga	Town	4/13/2017	\$856,055.00	B-16-DC-37-0001	Sewer Infrastructure Improvements
DEQ Infrastructure	Northampton	Seaboard	Town	4/13/2017	\$1,344,152.00	B-16-DC-37-0001	Sewer Infrastructure Improvements
DEQ Infrastructure	Chatham	Siler City	Town	4/13/2017	\$2,000,000.00	B-16-DC-37-0001	Sewer Infrastructure Improvements
DEQ Infrastructure	Gaston	Stanley	Town	4/13/2017	\$2,000,000.00	B-16-DC-37-0001	Sewer Infrastructure Improvements
DEQ Infrastructure	Montgomery	Troy	Town	4/13/2017	\$695,617.00	B-16-DC-37-0001	Sewer and Water Infrastructure Improvements