

2017 - 2018 Community Development Block Grant (CDBG) Report

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Joint Legislative Commission on Governmental Operations
Fiscal Research Division

Submitting Entity:

North Carolina Department of Commerce
State Community Development Block Grant Program
Rural Economic Development Division

TABLE OF CONTENTS

INTRODUCTION.....	3
2017 ALLOCATION	3
Table 1. 2017 HUD Allocation Budgeted Funding.....	4
DETERMINATION OF NEED	5
CATEGORIES OF FUNDING	5
Neighborhood Revitalization.....	5
Economic Development.....	6
Infrastructure – NC Department of Environmental Quality	7
Public School Infrastructure	8
USE OF RECAPTURED FUNDS	8
TECHNICAL ASSISTANCE.....	8
Awarded Grants	9
Table 2. Grants Awarded July 1, 2017 – June 30, 2018 with Recaptured Funds	9
Figure 1. Grants Awarded by Tier Designation	10
Table 3. Grants Awarded July 1, 2017 - June 30, 2018 with HUD 2016 and 2017 Allocation, including Funds from Revolving Loan Fund (RLF)	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 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 and CDBG Neighborhood Revitalization funds for scattered site housing and supportive housing activities. Funds for CDBG residential infrastructure activities are administered by the North Carolina Department of Environmental Quality (NC DEQ).

SECTION 15.1(f) By September 1, 201 and September 1, 2018, the, Department of Commerce, shall report to the chairs of the House of Representatives Appropriations Committee on Agriculture, Natural and Economic Resources, the chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources, the Joint Legislative Economic Development and Global Engagement Oversight Committee, 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 2017-2018 State fiscal year (FY2017-2018) of July 1, 2017 to June 30, 2018 with the HUD 2017 program allocation, as well as with recaptured funds from previous program years. For project descriptions of individual grants, see Tables 2 and 3.

2017 ALLOCATION

In the 2017 HUD allocation year, North Carolina received \$43,391,053 for the State of North Carolina's CDBG program. In the 2017 Annual Action Plan submitted to HUD, the State specified that it would provide assistance through the following programs: Economic Development, Neighborhood Revitalization, and Infrastructure. Based on Session Law 2017-57, CDBG funds were reallocated to three program areas: CDBG Neighborhood

State of North Carolina 2017 - 2018 CDBG Report

Revitalization and 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 three 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 \$1,034,901, approximately \$42,356,152 was available for distribution statewide using competitive and non-competitive approaches. Neighborhood Revitalization (housing-related activities) committed was \$9,974,955 (22.98%). Infrastructure activities committed was \$22,406,242 (52.89%). The remaining funds of \$9,974,955 (22.98%) were designated for economic development and other non-housing related activities. All unused funds were designated for infrastructure, economic development, and neighborhood revitalization projects, unless otherwise stated in the Legislative Budget.

Table 1, below, depicts the proposed and received allocation of funds from the 2017 Annual Action Plan and the budgeted allocation of funds upon receipt of the HUD grant.

Table 1. 2017 HUD Allocation Budgeted Funding

	Proposed in 2017 Annual Action Plan to HUD & Received 2017 Allocation from HUD		Received 2016 Allocation from HUD	
Description	Amount	Percent	Amount	Percent
HUD Grant to State	\$43,391,053		\$43,901,389	
State Administration	\$1,034,901		\$1,037,500	
Available for Distribution	\$42,356,152		\$42,863,889	
Category	Budget	Percent	Budget	Percent
Infrastructure	\$22,406,242	52.89%	\$26,969,014	62.92%
Economic Development	\$9,974,955	22.98%	\$15,894,875	37.07%
Neighborhood Revitalization	\$9,974,955	22.98%		
Distribution Total	\$42,356,152	100.00%	\$42,687,720	100.00%

Accomplishments of the grants awarded with the 2016 HUD allocation that were not awarded until 2017 will be highlighted in the 2018 Consolidated Annual Performance Evaluation Report (CAPER) to HUD in March of 2019. The goals laid out in the 2018 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 17,455 households/persons during the reporting period of January 2017 - December 2018. Encapsulating all of the CDBG programs to include housing, 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

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 housing and infrastructure projects. The Department of Commerce administers the Economic Development and Neighborhood Revitalization programs, and DEQ administers the Rural Residential Infrastructure Program.

The State assisted individuals and households through the following major funding categories in the State FY 2017-2018 with the HUD 2017 CDBG program allocation and de-obligated funds: Neighborhood Revitalization, Infrastructure, and Economic Development.

Neighborhood Revitalization

The Neighborhood Revitalization Program offers funds in support of the three livability principles, which are: promoting equitable, affordable housing; supporting existing communities; and valuing communities and neighborhoods. The funds offer non-entitlement municipalities or counties the opportunity to tailor a project to meet the community development needs specific and most critical to their locality, primarily for

their low-and moderate-income residents. Special consideration was given to local units of government that were affected by Hurricane Matthew.

Number of Applications Received: 11

Dollar Amount Awarded: \$7,500,000

Awards: Commerce awarded (10) applications for Neighborhood Revitalization with de-obligated funds. (Refer to Table 2.)

Broadband Program

The Broadband Internet Services is a pilot program that ensures the provision of WIFI to low and moderate-income residents, rehabilitation of structures to provide WIFI for low and moderate-income residents and for the installation of WIFI in local downtown buildings for low to moderate-income citizens and businesses. All CDBG assisted activities must be eligible and must demonstrate compliance with one of the statutory national objectives for the CDBG program.

Economic Development

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.

Jobs Created 2017-2018

Goal	Category	Indicator	Unit of Measure	Expected – Program Year	Actual – Program Year	Percent Complete
CDBG - Economic Development	Non-Housing Community Development	Jobs created/retained	Jobs	1310	1159	88.47%

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 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.

Number of Applications Received: 13

Dollar Amount Awarded: \$11,728,465

Awards: Commerce awarded (13) applications for Economic Development. (Refer to Table 3.)

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 SL 2017-57, Section 15.1(a) and Section 15.1 (d).

A total of 39 applications were received for the FY 2017 appropriation of \$22,406,242. The

\$22.4 million appropriation was divided into two separate allocations through a request from the Governor’s Office of Hurricane Recovery, and approved by the State Water Infrastructure Authority, with \$10.0 million of the \$22.4 million being allocated for use in critically needed water and wastewater infrastructure projects in the 46 “lesser impacted” Hurricane Matthew counties. The remaining \$12.4 million was eligible for distribution in any location in the state. The maximum award for both pots of funding is \$2.0 million.

Refer to Table 3, which lists the funded projects, the amounts granted, and descriptions of the projects.

Number of Applications Received: 39

Dollar Amount Awarded: \$22,406,242

Awards: NC DEQ awarded (39) applications for Infrastructure.

Public School Infrastructure

The Division of Water Infrastructure’s Community Development Block Grant – Infrastructure Program received \$4,489,692 of de-obligated funds in FY16 for funding critically needed water and sewer infrastructure at public schools. The funds made available were de-obligated funds from multiple allocation years. To determine eligibility for funding, the families of the children attending a school applying for funds answered income surveys to determine the low to moderate income status of the school population. The maximum award was \$1.0 million.

Four applications were received, and four were funded. Refer to Table 2, which lists the funded projects, the amounts granted, and descriptions of the projects.

Number of Applications Received: 4

Dollar Amount Awarded: \$3,894,750

Awards: NC DEQ awarded (4) applications for Public School Water & Sewer Infrastructure.

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. During the 2017-2018 State fiscal year, grants from the Neighborhood Revitalization and Public School Infrastructure categories were awarded with recaptured funds. Table 2 illustrates the number of grants and funding awarded during the State fiscal year of July 1, 2017 to June 30, 2018 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

State of North Carolina 2017 - 2018 CDBG Report

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 2017 and 2018, 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.

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 2. Grants Awarded July 1, 2017 – June 30, 2018 with Recaptured Funds

Category	County	Grantee Name	Designation	Award Date	Grant Amount	HUD Allocation	Project Description
DEQ Infrastructure School	Alexander	Alexander County	County	4/18/2018	\$894,750	B-12-DC-37-0001	County public school sewer infrastructure improvements
DEQ Infrastructure School	Columbus	Columbus County	County	4/18/2018	\$1,000,000	B-11-DC-37-0001	County public school sewer infrastructure improvements
DEQ Infrastructure School	Jackson	Jackson County	County	4/18/2018	\$1,000,000	B-09-DC-37-0001	County public school sewer and water infrastructure improvements
DEQ Infrastructure School	Wilkes	Wilkes County	County	4/18/2018	\$1,000,000	B-13-DC-37-0001	County public school sewer infrastructure improvements
Neighborhood Revitalization	Craven	Craven County	County	5/3/2018	\$750,000	B-09-DC-37-0001	Scattered site and supportive housing activities
Neighborhood Revitalization	Columbus	Fair Bluff	Town	5/3/2018	\$750,000	B-11-DC-37-0001	Scattered site and supportive housing activities
Neighborhood Revitalization	Greene	Green County	County	5/3/2018	\$750,000	B-08-DC-37-0001	Scattered site and supportive housing activities
Neighborhood Revitalization	Robeson	Lumberton	City	5/3/2018	\$750,000	B-12-DC-37-0001	Scattered site and supportive housing activities
Neighborhood Revitalization	Nash	Nash County	County	5/3/2018	\$750,000	B-13-DC-37-0001	Scattered site and supportive housing activities
Neighborhood Revitalization	Columbus	Tabor City	Town	5/3/2018	\$750,000	B-14-DC-37-0001	Scattered site and supportive housing activities

Neighborhood Revitalization	Tyrrell	Tyrrell County	County	5/3/2018	\$750,000	B-10-DC-37-0001	Scattered site and supportive housing activities
Neighborhood Revitalization	Beaufort	Washington	City	5/3/2018	\$750,000	B-14-DC-37-0001	Scattered site and supportive housing activities
Neighborhood Revitalization	Wilson	Wilson	City	5/3/2018	\$750,000	B-14-DC-37-0001	Scattered site and supportive housing activities
Neighborhood Revitalization	Bertie	Windsor	Town	5/3/2018	\$750,000	B-14-DC-37-0001	Scattered site and supportive housing activities

Figure 1. Grants Awarded by Tier Designation

Communities were awarded funding based on the recommendations of the Rural Infrastructure Authority Board. Figure 1 displays the 2017 County Tier Designations and the total CDBG funds awarded by county during FY17-18.

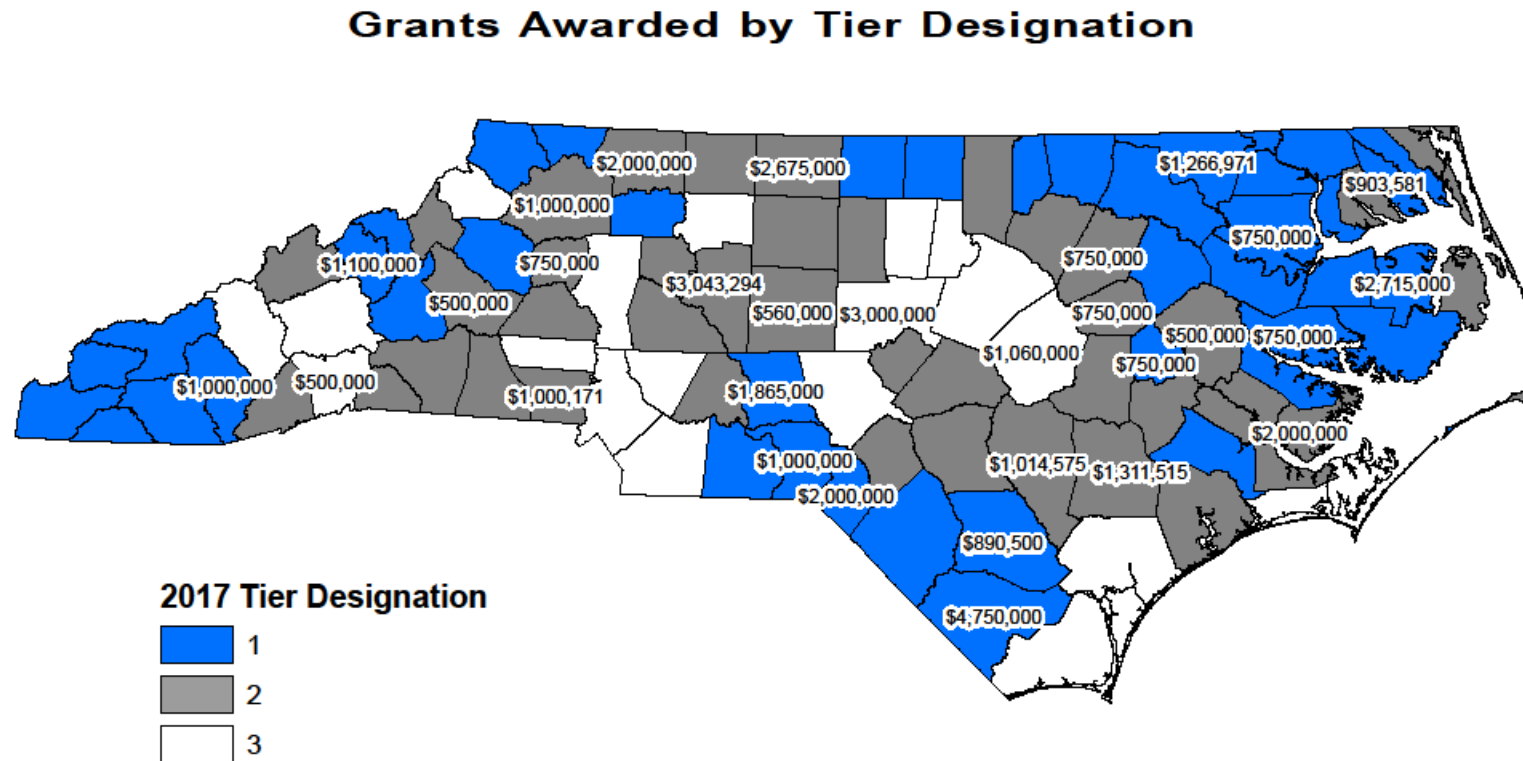


Table 3. Grants Awarded July 1, 2017 - June 30, 2018 with HUD 2016 and 2017 Allocation, including Funds from Revolving Loan Fund (RLF)

Category	County	Grantee Name	Designation	Award Date	Grant Amount	HUD Allocation	Project Description
Economic Development	Randolph	Asheboro	City	10/23/2017	\$560,000	B-16-DC-37-0001	Other Public Facilities
Economic Development	Pitt	Ayden	Town	7/1/2017	\$500,000	B-16-DC-37-0001	Building upfit
Economic Development	Davidson	Davidson County	County	8/21/2017	\$2,243,294	B-16-DC-37-0001	Gas line construction
Economic Development	Henderson	Hendersonville	City	10/23/2017	\$500,000	B-16-DC-37-0001	Building upfit
Economic Development	Davidson	Lexington	City	8/21/2017	\$500,000	B-16-DC-37-0001	Building upfit
Economic Development	Davidson	Lexington	City	8/21/2017	\$300,000	B-16-DC-37-0001	Building upfit
Economic Development	Rockingham	Reidsville City	City	7/1/2017	\$275,000	B-16-DC-37-0001	Building upfit
Economic Development	Burke	Drexel	Town	12/14/2017	\$500,000	B-17-DC-37-0001	Clearance Activities
Economic Development	Rockingham	Rockingham County	County	4/19/2018	\$1,100,000	B-17-DC-37-0001	Building upfit
Economic Development	Chatham	Siler City	Town	4/19/2018	\$3,000,000	B-17-DC-37-0001	Sewer Infrastructure Improvements
Economic Development	Columbus	Tabor City	Town	4/19/2018	\$250,000	B-17-DC-37-0001	Water Infrastructure Improvements
Revolving Loan Fund	Richmond	Richmond County	County	4/19/2018	\$1,000,000	Revolving Loan	Shell building construction
Broadband	Gaston	Belmont	City	9/8/2017	\$1,000,171	B-16-DC-37-0001	Building upfit
DEQ Infrastructure	Montgomery	Biscoe	Town	4/17/2018	\$1,865,000	B-17-DC-37-0001	Sewer Infrastructure Improvements
DEQ Infrastructure	Bladen	Bladenboro	Town	4/17/2018	\$250,000	B-17-DC-37-0001	Sewer & Water Infrastructure Improvements

DEQ Infrastructure	Yancey	Burnsville	Town	4/17/2018	\$1,100,000	B-17-DC-37-0001	Sewer Infrastructure Improvements
DEQ Infrastructure	Tyrrell	Columbia	Town	4/17/2018	\$1,965,000	B-17-DC-37-0001	Sewer Infrastructure Improvements
DEQ Infrastructure	Bladen	Dublin	Town	4/17/2018	\$640,500	B-17-DC-37-0001	Water Infrastructure Improvements
DEQ Infrastructure	Pasquotank	Elizabeth City	City	4/17/2018	\$903,581	B-17-DC-37-0001	Water Infrastructure Improvements
DEQ Infrastructure	Columbus	Fair Bluff	Town	4/17/2018	\$2,000,000	B-17-DC-37-0001	Sewer Infrastructure Improvements
DEQ Infrastructure	Duplin	Faison	Town	4/17/2018	\$1,311,515	B-17-DC-37-0001	Sewer Infrastructure Improvements
DEQ Infrastructure	Sampson	Garland	Town	4/17/2018	\$1,014,575	B-17-DC-37-0001	Sewer Infrastructure Improvements
DEQ Infrastructure	Pamlico	Grantsboro	Town	4/17/2018	\$2,000,000	B-17-DC-37-0001	Sewer Infrastructure Improvements & House Connections
DEQ Infrastructure	Johnston	Johnston County	County	4/17/2018	\$1,060,000	B-17-DC-37-0001	Sewer Infrastructure Improvements
DEQ Infrastructure	Scotland	Laurinburg	City	4/17/2018	\$2,000,000	B-17-DC-37-0001	Sewer Infrastructure Improvements
DEQ Infrastructure	Roberson	Lumberton	City	4/17/2018	\$1,997,500	B-17-DC-37-0001	Sewer Infrastructure Improvements & House Connections
DEQ Infrastructure	Surry	Mount Airy	City	4/17/2018	\$1,731,600	B-17-DC-37-0001	Sewer Infrastructure Improvements
DEQ Infrastructure	Northampton	Rich Square	Town	4/17/2018	\$1,266,971	B-17-DC-37-0001	Water Infrastructure Improvements
DEQ Infrastructure	Rockingham	Stoneville	Town	4/17/2018	\$1,300,000	B-17-DC-37-0001	Sewer Infrastructure Improvements