

2022-2023 Community Development Block Grant (CDBG) Report

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Receiving Entities:

Joint Legislative Commission on Governmental Operations
Fiscal Research Division

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

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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 and CDBG Neighborhood Revitalization and Rural Community Development funds for scattered site housing, supportive housing, and community revitalization activities. Funds for CDBG residential infrastructure activities are administered by the North Carolina Department of Environmental Quality (NC DEQ).

SECTION 11.1.(e) By September 1, 2021 and September 1, 2022, 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 including information on the statewide need in each -category.
- (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 2022-2023 State fiscal year of July 1, 2022 to June 30, 2023 with the HUD 2021 and 2022 program allocation, as well as with recaptured funds from previous program years. For project descriptions of individual grants, see Tables 2 - 3.

2022 ALLOCATION

In the 2022 HUD allocation year, North Carolina received \$47,037,288 for the State of North Carolina's CDBG program. In the 2022 Annual Action Plan submitted to HUD, the State specified that it would provide assistance through the following programs: Economic Development, Neighborhood Revitalization, Rural Community Development, and Infrastructure. Based on Session Law 2021-180, CDBG funds were allocated to the

following program areas: CDBG Neighborhood Revitalization, Economic Development, and Rural Community Development, administered through NC Commerce Rural Economic Development Division State CDBG Program, CDBG Infrastructure, administered through NC Department of Environmental Quality. Because of this law, the 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 \$ 1,511,119, approximately \$ 45,526,169 was available for distribution statewide using competitive and non-competitive approaches. Neighborhood Revitalization (housing-related activities) committed was \$ 7,653,140 (16%). Infrastructure activities committed was \$19,323,243 (41%). Rural Community Development activities committed was \$5,073,663 (10%). The remaining funds of \$13,718,133 (30%) was 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 2022 Annual Action Plan and the budgeted allocation of funds upon receipt of the HUD grant.

Table 1. 2021 and 2022 HUD Allocation Budgeted Funding

	Proposed in 2022 Annual Action Plan to HUD & Received 2022 Allocation from HUD		Received 2021 Allocation from HUD	
Description	Amount	Percent	Amount	Percent
HUD Grant to State	47,037,288		\$49,393,313	
State Administration	1,511,119		\$1,581,799	
Available for Distribution	\$45,526,169		\$47,811,514	
Category	Budget	Percent	Budget	Percent
Infrastructure	\$19,323,243	41%	\$5,000,000	10%
Economic Development	\$13,718,133	30%	\$22,015,747	45%
Neighborhood Revitalization	\$7,653,140	16%	\$15,722,104	32%
Rural Community Development	\$4,831,653	10%	\$5,073,663	10%
Distribution Total	\$45,526,169	100.00%	\$47,811,514	100.00%

Accomplishments of the grants awarded with the 2021 HUD allocation that were not awarded until 2022 will be highlighted in the 2022 Consolidated Annual Performance Evaluation Report (CAPER) to HUD in March of 2023. The goals laid out in the 2022 Annual Action Plan are (1) To provide decent and affordable housing; (2) To provide a suitable living environment; and (3) To expand economic opportunity. These goals have been met

in most categories.

DETERMINATION OF NEED

The need for the categories of the CDBG program is determined by comments generated at public hearings across the state. All CDBG project activities must meet at least one of three national objectives to be eligible. The three national objectives in the CDBG program are: (1) benefiting low- and-moderate income (LMI) persons; (2) preventing or eliminating slums or blight; and (3) meeting other community development needs that are deemed to be urgent because of existing conditions pose a serious and immediate threat to the health and welfare of the community, and other financial resources are not available to meet the need.

The CDBG Economic Development grant category is the only statewide program that specifically targets job creation or retention for low and moderate-income persons. North Carolina's unemployment rate of 3.4 percent is unchanged from a year ago (May 2023); however, jobs leading to economic mobility for low and moderate-income persons remains a priority for the Department of Commerce.

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 987 persons during the reporting period of January 2022 - December 2022 and an estimated 49 households from the Neighborhood Revitalization grants. Encapsulating all 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.

CATEGORIES OF FUNDING

The State assisted individuals and households through the following major funding categories in the State FY 2022-2023 with the HUD 2021 and 2022 CDBG program allocations and de-obligated funds: Neighborhood Revitalization, Rural Community Development, Infrastructure, and Economic Development.

Neighborhood Revitalization and Rural Community Development

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

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community development needs specific and most critical to their locality, primarily for their low-and moderate-income residents.

Number of Applications Received: 33

Total Dollar Amount Requested: \$53,798,221

Dollar Amount Awarded: \$- \$41,811,514

Awards: Commerce awarded 29 applications for Neighborhood Revitalization

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 to moderate income (LMI). An 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 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: 2

Total Dollar Amount Requested: \$2,640,156

Dollar Amount Awarded: \$2,640,156

Awards: Commerce awarded (2) applications for Economic Development. (Refer to Table 3.)

Infrastructure – NC Department of Environmental Quality

The CDBG-Infrastructure (CDBG-I) Program of the Division of Water Infrastructure (Division) funds critically needed public 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 2021-180, Section 11.1(a) and section 11.1(d).

Awards are conducted after a competitive application process using the Priority Rating Systems approved by the State Water Infrastructure Authority (Authority) at its July 2015 meeting. Division staff reviewed and ranked each complete, eligible application. Staff presents the final funding scenario to the SWIA for consideration and award. The maximum award in the CDBG-Infrastructure program is \$3 million.

Regular Fiscal Appropriation Awards

The CDBG-Infrastructure 2022 appropriation was \$19,323,243.

The Division of Water Infrastructure received 6 applications requesting 9,737,609. After staff review, four applications, totaling 4,905,609 were deemed complete and eligible applications. One grant for \$305,609 was funded with de-obligated FY18 funds.

Given there was a balance of FY2022 CDBG-Infrastructure funds totaling \$14,723,243, the CDBG-Infrastructure program took in applications May 1, 2023. The \$14,723,243 balance was awarded July 2023 and will be reported in the FY 2024 Annual Report.

Number of Applications Received: 6

Total Dollar Amount Requested: \$9,737,609

Dollar Amount Awarded: \$4,600,000

Awards: NC DEQ awarded 4 infrastructure projects.

Refer to Tables 3 and 4, which list 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. During the 2022-2023 State fiscal year, grants from the Neighborhood Revitalization and DEQ 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, 2022 to June 30, 2023, 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 2022 and 2023, technical assistance priorities include: (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. CDBG Grants Awarded July 1, 2022 – June 30, 2023 with Recaptured Funds

Category	County	Grantee	Tier Designation	Grant Amount	HUD Allocation	Project Description
Infrastructure	Wilson	Town of Saratoga	1	\$305,609	B-18-DC-37-0001	Sewer Infrastructure Improvements Hook-up municipal sanitary sewer collection system to 22+/- homes in both the Town and ETJ located along Speight School Rd.

Figure 1. CDBG Grants Awarded by Tier Designation

Communities were awarded funding based on the recommendations of the Rural Infrastructure Authority Board. Figure 1 displays the 2022 County Tier Designations and the total CDBG funds awarded by county during FY 22-23.

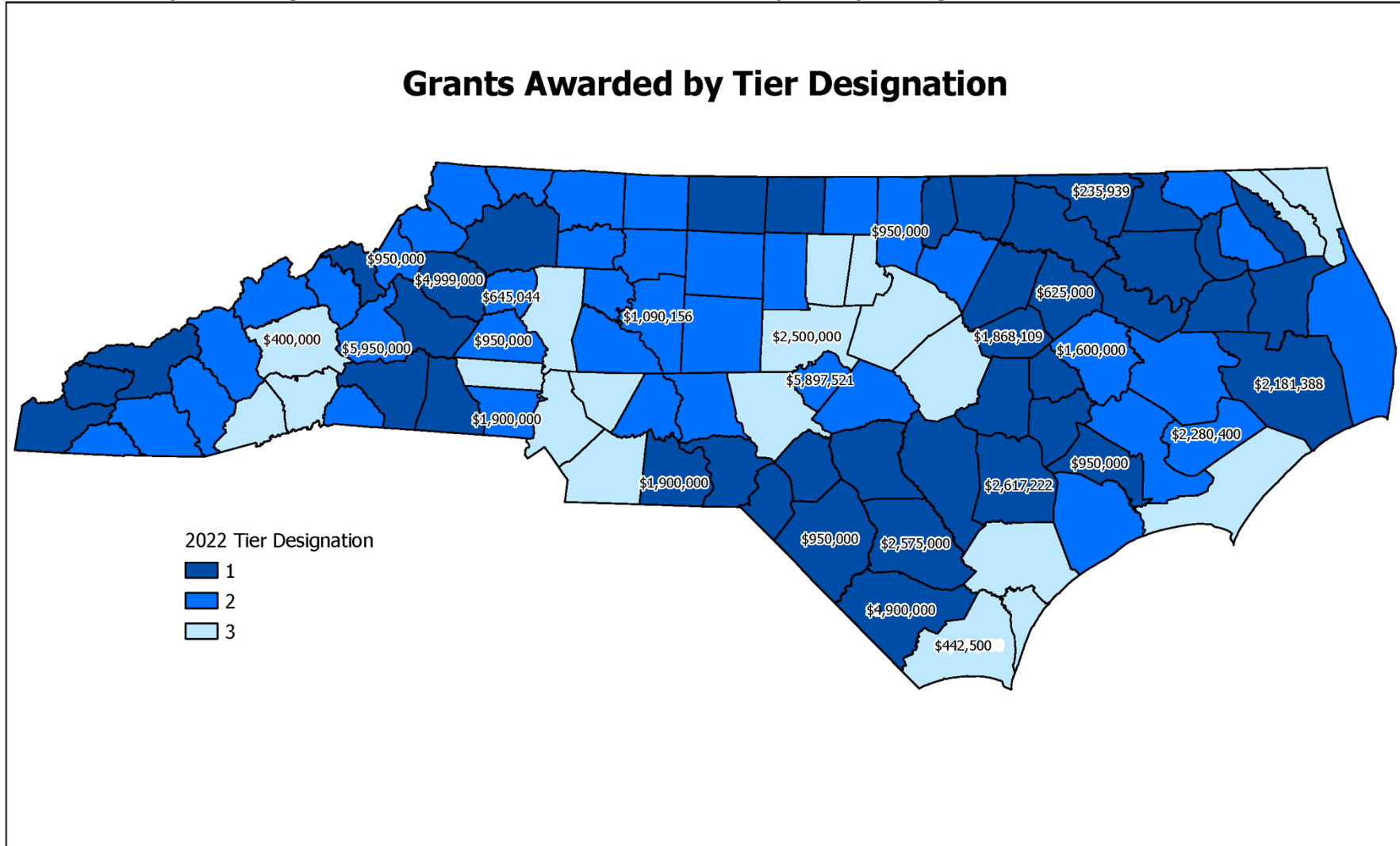


Table 3. Grants Awarded July 1, 2022 - June 30, 2023 with 2021 and 2022 HUD Allocations

Category	County	Grantee Name	Tier Designation	Grant Amount	HUD Allocation	Project Description
Neighborhood Revitalization	Alexander	Alexander	2	\$645,000	B-21-DC-37-0001	Scattered Site and Supportive Housing Activities: Rehabilitation of 7 housing units and installation 380 linear feet of roadway.
Neighborhood Revitalization	Anson County	Anson County	1	\$950,000	B-21-DC-37-0001	Scattered Site and Supportive Housing Activities: address structural, electrical, mechanical, plumbing and HVAC issues found in owner-occupied homes of 11 low-income families.
Neighborhood Revitalization	Anson County	Ansonville, Town	1	\$950,000	B-21-DC-37-0001	Scattered Site and Supportive Housing Activities address structural, electrical, mechanical, plumbing and HVAC issues found in 11 owner-occupied homes.
Neighborhood Revitalization	Avery County	Avery County	2	\$950,000	B-21-DC-37-0001	Community Revitalization Activities: The proposed project consists of a new public facility that will offer reentry assistance. The facility will house up to 12 individuals leaving prison, jail, or court-ordered rehabilitation in need of support to help reenter the community and become self-sufficient.
Neighborhood Revitalization	Bladen County	Elizabethtown, Town	1	\$2,575,000	B-21-DC-37-0001	Community Revitalization Activities The Community Center will be used by the County for the Department of Aging community involvement program. The Center will also be for after school tutoring and care. The facility will also be used for civic and nonprofit groups as a meeting place within the community.
Neighborhood Revitalization	Brunswick County	Leland, Town	3	\$442,500	B-21-DC-37-0001	Scattered Site and Supportive Housing Activities Rehabilitation of 3 housing units and connection of one housing unit to public sewer.
Neighborhood Revitalization	Buncombe County	Buncombe County	3	\$400,000	B-21-DC-37-0001	Scattered Site and Supportive Housing Activities Home improvements to 24 owner-occupied housing units
Neighborhood Revitalization	Caldwell County	Granite Falls, Town	1	\$4,999,000	B-21-DC-37-0001	Supportive Housing Activities. Water and sewer line replacement. The lines will provide improved service to 68 homes.
Neighborhood Revitalization	Catawba County	Newton, City	1	\$950,000	B-21-DC-37-0001	Scattered Site and Supportive Housing Activities Public facility improvements to a recreation center that is used for a variety of training and other community events.
Neighborhood Revitalization	Columbus County	Brunswick, Town	1	\$2,000,000	B-21-DC-37-0001	Scattered Site and Supportive Housing Activities Rehabilitation of 4 housing units
Neighborhood Revitalization	Columbus County	Fair Bluff, Town	1	\$950,000	B-21-DC-37-0001	Scattered Site and Supportive Housing Activities Rehabilitation of 5 housing units
Neighborhood Revitalization	Columbus County	Tabor City, Town	1	\$950,000	B-21-DC-37-0001	Scattered Site and Supportive Housing Activities Rehabilitation of 5 housing units

Neighborhood Revitalization	Davidson County	Thomasville, City	2	\$950,000	B-21-DC-37-0001	Supportive Housing and Community Revitalization Activities Renovation of the fire-damaged Historic Thomasville Memorial Hospital into affordable rental housing units
Neighborhood Revitalization	Duplin County	Duplin County	1	\$617,222	B-21-DC-37-0001	Scattered Site and Supportive Housing Activities Rehabilitation of 5 housing units
Neighborhood Revitalization	Edgecombe County	Princeville, Town	1	\$625,000	B-21-DC-37-0001	Scattered Site and Supportive Housing Activities Demolish and replace two dilapidated homes with modular units
Neighborhood Revitalization	Gaston County	Cramerton, Town	2	\$950,000	B-21-DC-37-0001	Scattered Site, Supportive Housing, and Community Revitalization Activities Rehabilitation of 6 single-family, owner-occupied homes located in the Baltimore Village neighborhood and make renovations to the Historic Baltimore Village School
Neighborhood Revitalization	Gaston County	High Shoals, Town	2	\$950,000	B-21-DC-37-0001	Scattered Site and Supportive Housing Activities Rehabilitation of 12 single-family, owner-occupied homes
Neighborhood Revitalization	Granville County	Oxford, City	2	\$950,000	B-21-DC-37-0001	Scattered Site and Supportive Housing Activities Rehabilitation of 7 single-family, owner-occupied homes
Neighborhood Revitalization	Hyde County	Hyde County	1	\$950,000	B-21-DC-37-0001	Scattered Site and Supportive Housing Activities Rehabilitation of 6 housing units
Neighborhood Revitalization	Hyde County	Hyde County	1	\$1,231,388	B-21-DC-37-0001	Scattered Site and Supportive Housing Activities Rehabilitation of 8 housing units
Neighborhood Revitalization	Jones County	Jones County	1	\$950,000	B-21-DC-37-0001	Scattered Site and Supportive Housing Activities Rehabilitation of 6 housing units
Neighborhood Revitalization	Lee County	Sanford, City	2	\$950,000	B-21-DC-37-0001	Supportive Housing Activities Installation of public infrastructure for a new single family housing development
Neighborhood Revitalization	Lee County	Sanford, City	2	\$4,947,521	B-21-DC-37-0001	Supportive Housing Activities Installation of public infrastructure for both existing and new single-family houses. In addition to the new sewer hookup, two existing dwellings will hook up to sewer line.
Neighborhood Revitalization	McDowell County	McDowell County	2	\$950,000	B-21-DC-37-0001	Scattered Site and Supportive Housing Activities Emergency repairs to 39 housing units and rehabilitation of 4 housing units
Neighborhood Revitalization	McDowell County	McDowell County	2	\$5,000,000	B-21-DC-37-0001	Scattered Site, Supportive Housing, and Community Revitalization Activities Construction of 28 long-term transitional housing units
Neighborhood Revitalization	Northampton County	Seaboard, Town	1	\$235,939	B-21-DC-37-0001	Scattered Site and Supportive Housing Activities Rehabilitation/reconstruction of 3 housing units
Neighborhood Revitalization	Pamlico County	Pamlico County	2	\$2,280,400	B-21-DC-37-0001	Scattered Site and Supportive Housing Activities Rehabilitation/reconstruction of 10 housing units

Neighborhood Revitalization	Robeson County	Fairmont, Town	1	\$950,000	B-21-DC-37-0001	Scattered Site and Supportive Housing Activities Rehabilitation of 5 housing units
Neighborhood Revitalization	Wilson County	Stantonsburg, Town	1	\$1,562,500	B-21-DC-37-0001	Scattered Site and Supportive Housing Activities Demolition and replacement of 5 housing units
Economic Development	Davidson County	Davidson County	2	\$140,156	B-22-DC-37-0001	Water and Sewer Improvements Installation of approximately 1,100 linear feet of 8-inch and 1,100 linear feet water lines; approximately 500 linear feet of 6-inch sanitary sewer lines; and approximately 1,100 linear feet of natural gas lines to serve Sky Aircraft Maintenance, LLC's proposed facility expansion site.
Economic Development	Chatham County	Siler City, Town	3	\$2,500,000	B-22-DC-37-0001	Construction of a 500,000-gallon elevated storage tank to provide water supply and fire flow for Wolfsped. The project will include all site work, piping, valves, tank construction, electrical and related appurtenances for the erection of the proposed tank.
Infrastructure	Duplin	Town of Kenansville	1	\$2,000,000	B-22-DC-37-0001	Sewer Infrastructure Improvements This project will rehabilitate one lift station (150 gpm Church St. Lift Station) including piping, motors, controls, wiring, generator, and associated appurtenances and remove and replace approximately 4,400 LF of 8" gravity sewer piping and associated appurtenances with new pipe of comparable size/capacity in the areas of N Church St, Seminary St, Belle Pearsall Ln, Middleton St, Sycamore St, and Moore St.
Infrastructure	Pitt	Town of Ayden	2	\$1,60,000	B-22-DC-37-0001	Sewer Infrastructure Improvements Rehabilitate its existing sewer Pump Station No. 1 (located within Ayden Mobile Estates), converting the pump station to a duplex submersible facility, elevating the top of the wet well structure, and elevating electrical control panels to provide resiliency against future flooding events. Also replace 2,200+ LF of aged sanitary sewer collection lines located within the Ayden Mobile Estates (Club Drive & Lola Drive).
Infrastructure	Columbus	Town of Brunswick	1	\$1,000,000	B-22-DC-37-0001	Water Infrastructure Improvements The proposed project consists of rehabilitation of two production wells. Brunswick Well #1 Poplar St. rehabilitation consists of complete electrical and chemical feed system upgrade, improvements to the well piping, flow meter, site piping, and rehabilitation work to well house itself. Brunswick Well #2 Stanley Circle rehabilitation consists of an aquifer and pump test to determine the viability of a new well on the same site, consequent well construction, a complete electrical and chemical feed system upgrade, improvements to the well piping, flow meter, site piping, and rehabilitation work to well house itself.