

Community Development Block Grant Recovery Program (CDBG-R)

Title XII of Division A of the American Recovery and Reinvestment Act of 2009 (Public Law 111-005, approved February 17, 2009) appropriates \$1 billion to carry out the CDBG program under Title I of the Housing and Community Development Act of 1974 (42 U.S.C. 5301, et seq.) (the HCDA) on an expedited basis. These funds will be distributed to grantees that received CDBG funding in Fiscal Year (FY) 2008 in accordance with the provisions of 42 U.S.C. 5306. The grant program under Title XII is commonly referred to as the CDBG Recovery (CDBG-R) program. The State of Connecticut non-entitlement program will receive \$3,616,527.

Introduction

The State of Connecticut is proposing to use its allocation of \$3,616,527 in CDBG-R funds to establish a funding mechanism with similar aspects of the current “NSP” (Neighborhood Stabilization Program). In making its decision, the State relied on the guidelines of the NSP, one of which was providing assistance to towns/cities in acquiring abandoned or foreclosed upon housing, rehabilitating those homes and re-selling to eligible homeowners. In selecting projects to be funded, the state relied on the 2008 foreclosure data of the current Neighborhood Stabilization Program and compared the first quarter data from 2009 to the first quarter data for 2008. As part of the Neighborhood Stabilization Program (NSP) application preparation in 2008, DECD analyzed the foreclosure activity in all 169 Connecticut municipalities using the HUD NSP criteria. NSP funding ended up going to the larger communities in the state with the greatest overall need. This left no funding for small cities and towns which were also experiencing a reasonably high level of foreclosure activity for their size. The State of Connecticut is proposing to use the supplemental Small Cities Community Development Block Grant (CDBG) funds from the American Recovery and Reinvestment Act (ARRA) of 2009 to assist the 12 communities with the greatest need. Comparing the first quarter of 2009 to the first quarter of 2008, the number of foreclosed homes in these 12 communities rose by 32% during this time period. The lis pendens filings (representing filings on potential foreclosures) have risen in these towns by 57% over this same time period. This information was used to generate a list of the twelve (12) Small Cities towns that experienced a reasonably high level of foreclosure activity for their size. Accordingly, priority funding will be made available to the following towns/cities; (1) Ansonia, (2) Bloomfield, (3) East Haven, (4) Enfield, (5) Killingly, (6) Naugatuck, (7) New Milford, (8) Plainfield, (9) Shelton, (10) Torrington, (11) Wallingford and (12) Windsor.

Description of the Activities to be undertaken

The two primary funded activities in these towns/cities are: (1) the acquisition, rehabilitation and re-selling of abandoned or foreclosed upon homes. Abandoned or foreclosed upon homes will be bought, rehabilitated and re-sold to low- and moderate-income persons. These homes must demonstrate compliance with and promote energy efficiency and conservation by addressing issues regarding, high energy bills, mold, mildew or musty odors, damp basements, cold floors in winter, drafty rooms, dust,

moisture on windows, ice dams, peeling paint, hot or cold rooms and dry indoor air in winter. The second activity that will be eligible for funding under the CDBG-R program is: (2) hard development costs associated with infrastructure activities in support of neighborhood stabilization. Activities within this category will include waterline, street improvements, public facilities and sidewalks within the areas of greatest need related to foreclosed upon or abandoned properties. These activities will be required to promote energy efficiency and smart growth by using recycled materials, water collection and reuse systems, bump outs for buses to encourage mass transportation, bike lanes, energy efficient street lighting and other such responsible growth infrastructure improvements as approved by HUD and DECD.

Description of how the distribution and uses of the State's CDBG-R funds will meet the requirements of Title XII of Division A and Section 1602 of the Recovery Act

Seventy percent (70%) of CDBG-R funds will benefit low- and moderate-income persons. The state will allocate a maximum grant amount of \$750,000.00 to any single recipient and all grant funds must be expended by September 30, 2012. General administration funds in an amount not to exceed \$361,652 will be set-aside for program administration to be shared by the state and the recipients. Title XII of Division A of the Recovery Act, requires that each recipient of CDBG-R funds must have a signed contract with the state within 120 days subsequent to the state signing its grant agreement with the Department of Housing & Urban Development (HUD). Section 1602 of the Recovery Act requires that grantees shall use grant funds in a manner that maximizes job creation and economic benefit. Section 1602 also states that, when CDBG-R funds are being used for infrastructure investments, grantees must give preference to activities that can be started and completed expeditiously.

The use of CDBG-R funds for activity that will maximize job creation and economic benefit

The state anticipates an investment in green rehabilitation projects of \$754,874 and \$2.5M in infrastructure projects over the three years period (2010-2012) of CDBG-R funds. This will generate \$1,672,349 of economic activity on average for each of the three years (new sales in all industries in the state), that includes the initial total three year investment of \$3,254,874. This investment will generate more than \$844,300 in new personal income on average each of the three years and the state's GDP will increase by \$882,476 annually over the three years period. Average annual employment will increase by 13 jobs for a total of 38 jobs over the three year period. This includes an annual average of 8 construction jobs.

For each activity, the number of full- and part-time jobs estimated to be created and retained by the activity

Green rehabilitation will generate a total of 14 jobs over the three years period and infrastructure improvements will generate a total of 24 jobs over the three years period.

Table 1: Results of Timed Investment

Economic Variable	Year 2010	2011	2012	Annual Avg. Change	Cumulative Change
Green Rehab Investment	\$254,874	\$250,000	\$250,000	-	\$754,874
Infrastructure Investment	\$1,000,000	\$750,000	\$750,000	-	\$2,500,000
Total Emp (Jobs)	15	12	11	13	38 job years
Construction Jobs	10	7	7	8	24 job years
Total GRP (Nominal \$)	\$983,760	\$831,590	\$832,078	\$882,476	\$2,647,428
Personal Income (Nominal \$)	\$915,500	\$808,700	\$808,700	\$844,300	\$2,532,900
Output (Bil Fixed 2000\$)	\$1,889,902	\$1,584,290	\$1,542,855	\$1,672,349	\$5,017,047
Net State Revenue (Nominal \$)	\$169,084	\$119,525	\$102,339	\$130,316	\$390,948

Source: REMI Ver. 9.5 State Model, Regional Economic Models, Inc., Amherst, MA

Description of activities that will be carried out with CDBG-R funds to promote energy conservation, smart growth, green building techniques or reduced emissions

The following activities will be carried out with CDBG-R funds to promote energy conservation, smart growth, green building techniques or reduced emissions; (1) the acquisition, rehabilitation and re-selling of abandoned or foreclosed upon homes. Abandoned or foreclosed upon homes will be bought, rehabilitated and re-sold to low- and moderate-income persons. These homes must demonstrate compliance with and promote energy efficiency and conservation and (2) hard development costs associated with infrastructure activities in support of neighborhood stabilization. Activities within this category will include waterline, street improvements, and sidewalks within the areas of greatest need related to foreclosed upon or abandon properties. These activities will be required to promote energy efficiency and smart growth by using recycled materials, water collection and reuse systems, bump outs for buses to encourage mass transportation, bike lanes, energy efficient street lighting and other such responsible growth infrastructure improvements as approved by HUD and DECD.