

City Council Agenda Summary Sheet (Non Purchases)

Agenda No: 2004 - 0490
Date: May 21, 2004
Prepared By: Joe Snyder – Fiscal – (248) 841-2534
City File No:

Meeting Date: June 16, 2004

PURPOSE:

I recommend that the City of Rochester Hills relinquish its Metropolitan City status, terminating the joint agreement with Oakland County per CFR 570.308, and be incorporated into Oakland County's Urban County Program which would allow the Department of Housing & Urban Development (HUD) to allocate HOME funds to Oakland County on the City of Rochester Hills' behalf.

DISCUSSION:

In 1975, HUD designated Oakland County as an "Urban County" for the purpose of administering federal grants, including the Community Development Block Grant (CDBG), on the behalf of local communities with populations less than 50,000. Also in 1975, the City of Rochester Hills (previously Avon Township) entered into a cooperative agreement with Oakland County to join the Urban County program.

In 1990, the City's population exceeded 50,000 and HUD then recognized the City of Rochester Hills as a Metropolitan City. In 1992, HUD approached the City and presented various options of how the City could continue to receive and administer CDBG funds. At that time, the City selected to keep its Metropolitan status and signed a joint agreement with Oakland County.

Currently, the City of Rochester Hills' designation under the joint agreement with Oakland County adversely affects the ability of the City and the County to access additional federal HOME Investment Partnerships (The HOME program allocates resources to serve the housing needs of low and moderate income residents). The lack of resources results in the annual loss of \$126,000 or of approximately six (6) Home Investment Partnerships opportunities. These resources are currently being retained by the State of Michigan and are being distributed statewide.

Oakland County has requested that the City of Rochester Hills relinquish its Metropolitan City designation and be incorporated into the County's Urban County Program in order to allow for the County to receive additional HOME funds that can be used to benefit low and moderate income residents beginning in Program Year 2005. These resources will be allocated directly to Oakland County and will have a much better chance of aiding Rochester Hills' residents.

The City of Rochester Hills, as another option, could opt to 'stand alone' as an individual metropolitan city. Under this option the City would take on full administrative duties of the CDBG program and the City would not be allowed the opportunity to be associated with Oakland County's much larger pool of Home Improvement Program funds or the state funded HOME program. After a full financial analysis of the issue, it is recommended that the City continue its agreement with Oakland County.

Currently the City of Rochester Hills receives \$176,567 in annual CDBG appropriations. Fifty percent (50%) of the allocation (or \$88,283) is allowed to be expended towards Public Service type activities including the Home Chore Program (Snow Plowing, Spring/Fall Clean-up and Bi-weekly Lawn mowing for low-income senior citizens), Rochester Area Youth Assistance, Avondale Youth Assistance, HAVEN, legal services for low-income battered spouses and emergency clothing services for low-income residents. In 2003, the City of Rochester Hills expended over \$110,000 of CDBG funding including over \$67,000 in support of the Home Chore Program alone.

If the City of Rochester Hills opted to 'stand alone' as an individual metropolitan city, the City could receive as much as \$359,000 in annual HUD allocations. However, this increase in funding also comes with additional restrictions on the possible uses and allocation of funds. Of this amount twenty percent (20%) is to be allocated to offset administrative and planning related costs ($\$359,000 * 20\% = \$71,800$). Due to HUD restrictions, only 15% of the remaining funds can be used to support Public Service type activities ($\$359,000 - \$71,800 = \$287,200 * 15\% = \underline{\$43,080}$). This would severely diminish the ability of Home Chore Program to serve our residents and worthwhile supporting agencies.

To be eligible for reimbursement through HUD, the remaining funds would be susceptible to standards more stringent than the City currently faces under the agreement with Oakland County. Instead of 'Low/Moderate Income Areas' within the City meeting a 33.3% of population below the moderate-income level as defined by HUD (of which there are seven (7) areas), the City would only be able to undertake actions serving the public in areas where 50% of the population falls under the moderate-income level (of which there are zero (0) areas).

As mentioned previously, Oakland County currently runs a Home Improvement Program (HIP) identical to that which the City of Rochester Hills could run if the City decided to 'stand alone'. In 2003, sixteen (16) city households applied for and were awarded low to zero percent loans for home improvement type activities under Oakland County's HIP, equaling \$320,000 of improvements and \$65,600 (20% of \$320,000) of administrative costs incurred for a total benefit to our residents of \$385,600. Due to the economies of scale of Oakland County's program and resources compared to the City's, the County is able to offer more efficient and higher levels of service due to the fact that they are knowledgeable of all various HUD rules, regulations, requirements, service caps, compliance issues, environmental and lead based paint reviews, certifications, and have a compliant auditing and accounting system already in place.

In summary, the City of Rochester Hills residents would be best served and the City of Rochester Hills would be better off incorporating into Oakland County's Urban County Program. In 2003, the City received \$174,110 in CDBG appropriations as well as nearly \$385,600 of improvements through Oakland County's Home Improvement Program (HIP) equaling \$559,710 ($\$174,110 + \$385,600$). If the City of Rochester Hills were to 'stand alone' the City would only receive \$359,000, and thus miss out on \$200,710 ($\$559,710 - \$385,600$) worth of benefit.

FISCAL INFORMATION:

No fiscal impact if City of Rochester Hills is incorporated into Oakland County’s Urban County Program. All expenses incurred will be reimbursed.

Some major fiscal impacts to be incurred if City of Rochester Hills chooses to ‘stand alone’ including additional staff, training, software, audit fees, review fees and certifications.

RECOMMENDATION:

I recommend that the City of Rochester Hills relinquish its Metropolitan City status, terminating the joint agreement with Oakland County per CFR 570.308, and be incorporated into Oakland County’s Urban County Program which would allow the Department of Housing & Urban Development (HUD) to allocate HOME funds to Oakland County on the City of Rochester Hills’ behalf.

ATTACHMENTS:

Department Authorization: Julie Jenuwine – Finance Director - Interim

Reviewed by:

Fiscal: *Jean Farris*

Clerks: *Susan Koliba-Galeczka*

Approved by: *Pat Somerville*

RESOLUTION

NEXT AGENDA ITEM

RETURN TO AGENDA