
**PROPOSED SUBSTANTIAL AMENDMENT TO YEAR 34 CONSOLIDATED PLAN
AMERICAN RECOVERY AND REINVESTMENT ACT
COMMUNITY DEVELOPMENT BLOCK GRANT**

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As part of the American Recovery and Reinvestment Act of 2009 (ARRA), local communities receiving entitlement funding under the U. S. Department of Housing and Urban Development’s Community Development Block Grant (CDBG) program were awarded additional one-time CDBG funds. As an entitlement community, the City of Philadelphia will receive \$14,046,000 in CDBG funds from ARRA. These funds are known as CDBG-R funds.

As stated in the HUD guidance,

While grantees have the full range of CDBG eligible activities at their disposal for CDBG-R, Congress clearly intends that CDBG-R funds should primarily be invested in economic development, housing, infrastructure and other public facilities that will quickly spur further economic investment, increased energy efficiency and job creation or retention. In seeking activities for CDBG-R funding, grantees should keep in mind that some eligible activities under the Housing and Community Development Act are unlikely to substantively address the intent of the Recovery Act.

HUD requires grantees to give priority to projects than can award contracts based on bids within 120 days from the date funds are made available, will ensure maximum job creation and economic benefit. The City is proposing to fund activities with CDBG-R that are consistent with congressional intent, which emphasize projects “ready to go,” which leverage other funds, create jobs and assist those most affected by the recession.

HUD has issued guidance detailing the application process and requirements for these funds. The City must submit a *Substantial Amendment to its Year 34 Consolidated Plan* by June 5, 2009, to access these funds. While HUD has waived certain local citizen participation requirements, the City is required to post its *Proposed Substantial Amendment* on its web site and to receive Citizen Comments for at least seven days. The City will seek City Council approval by Resolution for this *Proposed Substantial Amendment* consistent with its “Citizen Participation Plan” and local requirements.

The City is following the HUD prescribed outline for its *Proposed Substantial Amendment*:

1. Description of activities to be undertaken to address priority needs and objectives, including other Recovery Act funding to be used and total activity budget from all funding sources, using a HUD-prescribed spreadsheet.

This information is provided in the chart at right.

2. Description of how the distribution and uses of the grantee’s CDBG-R funds will meet the requirement that priority be given to projects that can award bids within 120 calendar days of the date funds are made available.

Transit-Oriented and Livable Communities Commercial Development Fund.

The competitive Request for Proposals application process has already been established for gap financing for shovel ready projects. Requests for Proposals are issued on a monthly basis with one of the requirements being the ability to start construction within 30 days of receipt. The City will only commit to shovel ready projects and therefore they will be given priority because they are the only ones that will receive funding. It is anticipated that 50 percent of funds can be committed to projects that will start construction within 120 days of receipt of the funds.

ACTIVITIES AND BUDGET - RECOVERY ACT FUNDING

Jurisdiction Grantee Name: City of Philadelphia

CDBG-R Formula Grant Amount: \$14,046,629

Date: 15 May, 2009

Activity Name	Activity Description	Eligibility (Regulatory or HCDA Citation)	National Objective Citation	CDBG-R Projected Budget (\$)	Additional Recovery Funds (\$)	Other Leveraged Funding (\$)	Total Activity Budget (\$)
Transit-Oriented and Livable Communities Commercial Development Fund	Gap financing for projects that have seen a reduction in debt or other financing as a result of the recession and are seeking financing to complete the project. Anticipated loans will range between \$100,000 and \$1,000,000, in addition to already committed senior lending. This product will target businesses on commercial corridors that both support the surrounding community and are accessible to regional residents by public transportation.	570.203 570.204	570.208(a)(1) LMA	7,500,000	0	30,000,000	37,500,000
Affordable Housing Development	Provide gap financing for shovel-ready affordable housing rehabilitation or eligible new construction development	570.202 570.204	570.208(a)(3) LMH	3,646,629	0	\$10,000,000	13,646,629
Mortgage Foreclosure Diversion Program	Support housing counseling, legal services and outreach efforts to prevent homeowner mortgage foreclosures.	570.201(e)	570.208(a)(2) LMC	1,000,000	0	\$700,000	1,700,000
Basic Systems Repair Program	Support repairs to major systems in houses owned by very low- and low-income families.	570.202	570.208(a)(3) LMH	850,000	0	\$9,871,000	10,721,000
Creative Industry Workforce Grants	Grow approximately 10 Creative Industry Businesses with long-term goal of creating new jobs, public revenue and economic development opportunities in under-developed neighborhoods. Eligible applicants are for profit or nonprofit creative industry businesses, or entities representing creative industry businesses.	570.203 570.204	570.208(a)(4) LMJ	500,000	0		500,000
Administration and Planning	Eligible administrative and planning activities as allowed.	570.205 570.206	570.208(d)(4)	550,000			
				14,046,629	0	50,571,000	64,067,629

Affordable Housing Development.

The City has previously committed to support eligible affordable housing development proposals that have development financing gaps or shortfalls. If needed, the City will issue a “short form” Request for Proposals immediately after funds are awarded, with funding priority for projects which can go to loan closing within 120 calendar days after funds are made available to the City.

Mortgage Foreclosure Diversion Program.

The City has developed a national model for residential mortgage foreclosure prevention. Full funding to continue this program has not been identified for the period after July 1, 2009. At least 50 percent of CDBG-R funds will be placed under contract immediately after July 1, 2009, to eligible sub-recipients.

Basic Systems Repair Program.

The City’s Basic Systems Repair Program has a waiting list of low-income homeowners, whose houses need essential repairs, that exceeds one year. Additional funds for this program can be spent expeditiously.

Creative Industry Workforce Grants.

The City has identified a number of potential projects that can use funding within the designated timeline. The majority of Workforce Grants will be provided as gap financing. Construction and renovation projects must be shovel ready.

3. Description of how each activity will maximize job creation and economic benefit and will address the Recovery Act by preserving and creating jobs and promoting economic recovery; assisting those most impacted by the recession; providing investment needed to increase economic efficiency; investing in transportation, environmental protection or other infrastructure that will provide long-term economic benefits; minimizing or avoiding reductions in essential services; or fostering energy independence.

Transit-Oriented and Livable Communities Commercial Development Fund.

The Transit Oriented and Livable Communities Commercial Development fund maximizes its economic benefit by leveraging public investment with private funds to create sustainable projects. As a result of the economic recession, many strong Philadelphia businesses have found it very difficult to finance necessary investments in order to grow. This financing constraint is not the result of the companies changing or becoming less financially sound, but result from changes to the debt and capital markets. These funds target strong businesses that have been severely hurt by the recession that has crippled banks and made credit almost impossible to obtain. This change in the debt market has made many strong projects unlikely to happen, but for the intervention of the public sector. The City uses commercial bank underwriting standards and follows tested criteria to ensure that the projects are sustainable, will be successful and that the jobs created will exist long after the public funding stops.

The leverage of using these funds with private investment from banks or capital investors allows these dollars to have a greater economic impact. Through the gap financing product that we have already created, we were able to achieve leverage of four private dollars invested for every one dollar of public money creating 315 permanent full-time equivalent jobs. The leverage allows a small investment to have a greater impact on the Philadelphia economy.

The Transit Oriented and Livable Communities Commercial Development fund is targeted to neighborhood businesses that are either unable to grow because of the freeze in the credit markets or need capital to stabilize unpredictable revenues. It is required, as part of the funding, that businesses either retain or create jobs in order to qualify for the program.

Small businesses have been particularly hit hard by the recession as revenues have dropped and credit markets have frozen making it hard for businesses to have the capital to operate. These funds are targeted at neighborhood businesses that have seen the recession jeopardize or reduce conventional debt and put expansion or capital projects at risk of cancellation.

This activity is targeted toward transit-supported projects that have access to multiple lines of public transportation (bus, trolley, subway or commuter rail). This may lead to less usage and reliance on cars and therefore reduce the gasoline/oil consumption of both the employees and customers.

Affordable Housing Development

The City's Affordable Housing Program assists those most impacted by the recession by providing affordable rental and homeownership opportunities for low- and moderate-income households. This activity, which will fill gaps in financing for projects ready to go to construction, will create or retain construction jobs and may reduce the reliance of low-income persons on essential government safety-net programs. New housing construction or rehabilitation will spur economic growth by putting people to work in the depressed construction industry. The City's Affordable Housing Development programs, which support rental, homeownership and special-needs development, are described in detail in the *Year 34 Consolidated Plan*.

Mortgage Foreclosure Diversion Program.

The City's Mortgage Foreclosure Diversion Program assists those most impacted by the recession, in particular, those facing residential mortgage foreclosure. The program includes intensive outreach efforts to those facing foreclosure, court-mediated negotiation with lenders, specialized housing counseling about

mortgage workouts and other options, and legal services.

Basic Systems Repair Program.

The City's Basic Systems Repair Program (BSRP) provides repairs to owner-occupied houses in need of essential repair or replacement of roofs, electrical, plumbing and heating systems. The program currently has a waiting list more than one year long; these funds can be spent expeditiously to improve service delivery times to very low-income families most affected by the recession. The City's BSRP program is described in detail in the *Year 34 Consolidated Plan*.

Creative Industry Workforce Grants.

The Creative Industry Workforce Grants will support shared office space for creative industry businesses, reducing operating costs for existing and new businesses and increasing the subrecipients' economic efficiency. Subrecipients with decreased operating costs will be better positioned to retain and hire new employees and make growth investments. Grants will also support the creation of new or renovated mixed-use facilities and creative industry incubators, designed to attract new businesses and new jobs. In the case of rehabilitation and new construction, energy-efficient developments will receive priority.

4. Number of full- and part-time jobs estimated to be created and retained by the activity (including permanent, construction and temporary jobs).

Transit-Oriented and Livable Communities Commercial Development Fund

This activity will create approximately 700 construction jobs and 300 permanent jobs.

Affordable Housing Development.

This activity will create or retain approximately 65 construction jobs.

Mortgage Foreclosure Diversion Program.

This activity will create or retain approximately 10 permanent jobs.

Basic Systems Repair Program.

This activity will create or retain approximately 10 construction jobs.

Creative Industry Workforce Grants.

This activity will create approximately 15 full-time equivalent permanent jobs and six construction jobs.

5. Description of the activities that will be carried out with CDBG-R funds that promote energy conservation, smart growth, green building technologies or reduced pollution emissions.

■ **Transit-Oriented and Livable Communities Commercial Development Fund**

Since these funds are targeted toward transit-supported projects, they promote energy conservation, smart growth and reduced pollution emissions. This program will fund projects that have “a variety of transit options” and “the creation of walkable neighborhoods,” two of the EPA’s Smart Growth Objectives. The U. S. Green Building Council gives one point toward LEED certification, a standard to measure the environmental impact of buildings for projects with access to public transit. Similarly, transit-supported projects require less reliance on cars by both employees and customers, therefore reducing emissions as well as the consumption of oil/gasoline. Finally, the Transit-Oriented and Livable Communities Commercial Development fund finances capital improvements and where applicable, will require the use of energy efficient products and construction materials to conserve energy.

■ **Creative Industry Workforce Grants**

The Creative Industry Workforce Grants will prioritize projects that promote energy conservation, smart growth, green building technologies or reduced pollution emissions.

■ **Basic Systems Repair Program (BSRP)**

The City’s BSRP works in conjunction with its Weatherization Assistance Program; houses in

need of repairs to weatherize them are eligible for BSRP grants.

■ **Affordable Housing Development**

The City has adopted Energy Star as the minimum acceptable standard in its affordable housing program. The City has a history of supporting progressively more stringent energy efficiency standards in its housing program, including weather-sealing and testing, insulation and energy efficient appliances and products.

6. Information on how to contact grantee program administrators

Transit-Oriented and Livable Communities Commercial Development Fund

Andrew Frishkoff, Director of Neighborhood and Economic Development
Commerce Department
1515 Arch St., 12th Floor, Philadelphia, PA 19102
215-683-2026
andrew.frishkoff@phila.gov

Affordable Housing Development, Mortgage Foreclosure Diversion Program and Basic Systems Repair Program

Deborah McColloch, Director of Housing
Office of Housing and Community Development
1234 Market St., 17th Floor, Philadelphia, PA 19107
215-686-9750
deborah.mccolloch@phila.gov

Creative Industry Workforce Grants

Gary P. Steuer, Chief Cultural Officer
Office of Arts, Culture and the Creative Economy
708 City Hall, Philadelphia, PA 19107
215-686-3989
gary.steuer@phila.gov