

Community Development Block Grant (CDBG)  
City of Bloomington  
2025-2029 Consolidated Plan and 2025 Annual Action Plan Summary

Introduction

The City of Bloomington is an entitlement Community that receives Community Development Block Grant Funds. As part of the funding requirements, the City is to undergo an analysis to identify goals and priorities for a 5 year period called the Consolidated Plan. The City is required to submit its new Consolidated Plan for 2025-2029.

Additionally, on an annual basis the City approves the Annual Action Plan. This plan is identified and allocated funds to activities addressing the goals and priorities outlined in the Consolidated Plan. The 2025 Program Year Annual Action Plan is part of the 2025-2029 Annual Action Plan.

The planned activities serve many low/moderate income households. Overall, at least 80 percent of the grant will be expended on activities for low/moderate income households in Bloomington.

The attached Consolidated Plan and Annual Action Plan are currently in draft. Staff does not anticipate substantive changes but will be working to format, proofread, and address any issues to have the plan ready for the 30 day comment period.

Approval Process

The CDBG program requires a new Action Plan every year and a Five-Year Consolidated Plan every five years. The City is a member of a consortium with other entitlement cities (Eden Prairie and Plymouth) and Hennepin County for the HOME program. The 2025 Action Plan and 2025-2029 Consolidated Plan will be available for public comment at public hearings before the City Council and the County Board of Commissioners in April and May respectively. There will also be a 30-day period for written comment. The approved Action Plan will then be submitted to the Department of Housing and Urban Development (HUD).

Summary of the objectives and outcomes identified in the Plans

The City of Bloomington will carry out activities that provide for the preservation of the City's housing stock, provide affordable housing options, provide essential services to seniors, families, low and moderate income households, and support Fair Housing activities. The City has not received notification of its 2025 allocation amount from HUD therefore recommendations of approval are estimated with the stipulation that the Homeowner Rehabilitation Loan program would be increased or decreased accordingly once the actual allocation amount is received. If there are drastic changes to the amount that the City is awarded, the City could also elect to submit a substantial amendment to adjust funding across different program activities. Because of the uncertainty around federal funding, more information on the budgetary impact and response to potential funding reductions is noted below.

The city's CDBG allocation will be used for housing rehabilitation, energy improvements, accessibility improvements and emergency repairs for the purpose of maintaining quality affordable housing. The activity to receive the largest amount of funding is the single-family rehabilitation program which serves low/moderate income homeowners with low interest loans to repair/update their homes. Loans only become due once the property is transferred. The rehabilitation loan program is coupled with the lead-based paint activity to assist in the abatement of lead hazards in pre-1978 homes utilizing CDBG funds. In this way,

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the City is ensuring that no threats remain to the health of occupants from lead paint. New this year is added screening for radon. If radon is above acceptable levels a mitigation system would be incorporated into the project. This activity serves low/moderate income households at or below 80% Area Median Income (AMI).

- The goal for this activity is to serve 25 homeowners with rehab loans during the 2025-2026 Program Year. This activity is proposed to use prior year program income, estimated current year program income, and estimated allocation of \$130,000 to fund. The final amount will be dependent on carry-over funds from the current year and the total amount of re-payments of outstanding loans received during the Program Year. The lead-based paint abatement activity and radon screening is included and will be funded with total funding for the Program Year. This activity pays for initial and clearance testing of rehab loan recipients' homes.

The City also has funds dedicated to public service activities. These funds in program year 2024 went to Senior Community Services to assist senior residents with home maintenance and chore activities. The City is releasing a request for proposals to solicit programs for program year 2025. Once selected the activity will be incorporated into the program budget and annual action plan. Eligible activities must be:

- Benefiting low- and moderate-income persons (persons at or below 50% of area median income and at or below 80% of area median income, respectively);
- Preventing or eliminating slums or blight; or
- Meeting other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community and other financial resources are not available to meet such needs.

The City will also fund, in partnership with Homes within Reach, activities for acquisition, rehabilitation, and re-sale of single-family property to income qualified homebuyers. The CDBG funds will be used as gap financing to assure the home is affordable to the buyer after the rehabilitation and with long-term affordability of the home by requiring the owner to resell the home to another low/moderate income family.

- The goal for this activity is to provide an affordable homeownership opportunity for up to three low/moderate income households in Bloomington during the 2025-2026 Program Year. This activity is proposed to use prior year carry over funds.

The City will provide CDBG funds to assist in the creation of new rental housing opportunities affordable at or below 80% AMI households with a focus on households at or below 60% AMI.

- The goal for this activity is to rehabilitate energy efficiency, accessibility and/or health and safety items in 41 affordable rental housing units, owned by the HRA, to maintain safe and affordable rental housing for at least 15 years. This activity is proposed to use prior year carry over funds.

The City contributes to the metro-wide Fair Housing Implementation Council (FHIC) for Fair Housing Services. The City will allocate funds for the continuation of Fair Housing Services in the suburban metro (including Bloomington). These funds may be used for education and research, housing discrimination testing and enforcement and Fair Housing counseling and clearinghouse activities.

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- The goal for this activity is to provide funding of \$5,000 to fair housing activities during the 2025-2026 Program Year.

Lastly, the City has general administration expenses for the program in the amount of about \$85,000 for the 2025-2026 Program Year.

#### Federal Funding Considerations

Because of uncertainty around federal funding, below is some additional information on the process and budgetary impact of funding reductions. The Department of Housing and Urban Development has not yet allocated the Community Development Block Grant funding for the 2025-2026 program year. The activities and funding are estimated based on prior years funding.

#### *Process*

Should the annual allocation be less than estimated, the contingency language in the draft plan allows for a reduction in the rehabilitation loan spending category. In previous years, this was enough to account for slight discrepancies between estimated and actual allocations. In the case of drastic reductions, the HRA may want to consider a more comprehensive response that adjusts funding in various categories. This would require a substantial amendment to the plan.

#### *Budgetary Impact*

New CDBG allocation funds an estimated 25% of the annual budget for the Home Improvement Loan Program, which is the largest single HRA CDBG-funded program. Home Improvement Loans are funded through a variety of sources including the HRA tax levy. It is unclear how or if both federal income sources may be impacted by changes to federal allocations, but the variety of sources and the HRA levy support make the program more sustainable.

- Annual CDBG allocation: ~\$130,000 determined annually by HUD.
- Program Income: ~\$300,000 annually. This results from loans that are repaid over time with are considered CDBG dollars when repaid.
- HRA levy: \$185,075 in 2025 for Home Improvement Loans and the Housing and Environmental Loan Program (HELP). These levy funds are approved annually by the HRA.

Should there be changes at the federal level, any of the options below could be considered to continue funding this program. The HRA could also reallocate levy dollars to other programs to fill other funding gaps.

- Reduction of loan amounts
- More targeted eligibility criteria or uses of funds
- Changes to underwriting processes
- Increased or decreased levy support
- Leveraging partner referrals
- Potential other sources