

COMMUNITY DEVELOPMENT ACT ADVISORY COMMITTEE  
(CDAAC)  
Minutes  
July 6, 2006

The Development Center  
445 W. Michigan Ave., Suite 101  
Kalamazoo, MI 49007

Members Present: Charley Coss, Chair; Dave Kinsey, Vice Chair; Shirley Coleman; Mark Fricke; Pegg Osowski; Mildred Smith; Kathy Steppenwolf

Members Excused: Doris Jackson, Jennifer Mills, Sue Oakes,

City Staff: David Thomas, Neighborhood Development Specialist; Amy Thomas, Recording Secretary

Guests: Brian Fricke; Don Cooney, City Commission Liaison to CDAAC

**CALL TO ORDER**

Mr. Coss called the meeting to order at 6:30 p.m.

**ROLL CALL**

The Recording Secretary completed roll call and determined that the aforementioned members were present.

Mr. Fricke introduced his son Brian, who was a guest at the CDAAC meeting. Brian is a candidate for the Parks and Recreation Advisory Board.

**AGENDA (July 6, 2006)**

There were no changes to the agenda.

**Mr. Kinsey, supported by Ms. Coleman, moved approval of the July 6, 2006 CDAAC agenda as presented. With a voice vote, the motion carried unanimously.**

**MINUTES (June 8, 2006)**

There were no changes to the minutes.

**Mr. Fricke, supported by Ms. Osowski, moved approval of the June 8, 2006 CDAAC minutes as submitted. With a roll call vote, the motion carried unanimously.**

## **CITIZEN COMMENTS ON NON-AGENDA ITEMS**

None

## **COMMUNICATIONS/MEMBERS' REPORTS**

None

## **OLD BUSINESS**

### **Follow-Up Report: Federal Entitlement Funds**

Mr. Thomas stated that Mr. Fricke had requested information about block grant funding on the national level. HUD was not able to provide the national information in time for this meeting. The intention is to look at the formula for distribution of HUD funds nationally and compare those numbers with funds received by the City of Kalamazoo. Hopefully, this will reveal information on how Kalamazoo might be able to recapture more block grant funds in the future. Mr. Thomas advised that he hoped to have the national statistics for the August CDAAC meeting.

Mr. Thomas obtained a report compiled by Todd Richardson from the Office of Policy Development and Research, U.S. Department of Housing and Urban Development (HUD), which provided the formulaic information requested. The report entitled, "CDBG Formula Targeting to Community Development Need", details the history of the CDBG formula process and proposes four (4) new formulas to better match resources with community need. The CDBG formula has undergone five major assessments and revisions since the beginning of the program in 1974. The report also details the steps involved in funding, which are as follows: HUD receives a funding allocation from Congress. Seventy percent of the funding goes directly to cities with populations in excess of 50,000, also known as participating jurisdictions. The remaining thirty percent of the funding goes to the states; in Michigan the funding goes to MSHDA (Michigan State Housing Development Authority) in Lansing. The State of Michigan makes funds available to smaller communities. To determine the distribution of block grant funds, there are currently two (2) basic formulas for entitlement communities:

#### **Formula A:**

- a) Population, weighted at 25%
- b) Poverty, weighted at 50%
- c) Overcrowding, weighted at 25%

#### **Formula B:**

- a) \*Growth Lag, weighted at 20%
- b) Poverty, weighted at 30%
- c) Pre-1940 housing, weighted at 50%

Several problems have been identified with the current formula. Community Development “need” has been more thoroughly analyzed and found to include seventeen (17) separate variables for entitlement communities, which include housing quality, infrastructure, economic development, poverty, tax base, etc. Statistics have shown that the communities with the most need were still getting the largest amount of funding, but there are flaws with the system. According to the 2000 census, the increase in immigration is also cause for some fiscal stress.

(6:45 p.m. – Mildred Smith arrived.)

Mr. Richardson’s study has suggested four new formulas to address the problems that have arisen with block grant allocation. The formulas are as follows:

Alternate 1

Formula A:

- Population weighted at 10%
- Poverty weighted at 60% (poverty applies only to “persons living in family households or elderly headed households”)
- Overcrowding weighted at 30%

Formula B:

- Adjusted Growth Lag weighted at 10%
- Poverty weighted at 40% (poverty applies only to “persons living in family households or elderly headed households”)
- “Housing 50 years or older occupied by a poverty household” weighted at 50%.

Alternate 2: (Single formula only)

- Female-headed household with children under 18 weighted at 10%
- Poverty weighted at 50% (poverty applies only to “persons living in family households or elderly headed households”)
- Overcrowding weighted at 20%
- “Housing 50 years or older occupied by a poverty household”, weighted at 20%.

Alternate 3: (Single formula only)

- Female-headed household with children under 18 weighted at 10%
- Poverty weighted at 50% (poverty applies only to “persons living in family households or elderly headed households”)
- Overcrowding weighted at 10%
- “Housing 50 years or older occupied by a poverty household”, weighted at 30%

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Mr. Thomas provided the following chart to show how each of the alternate formulas would reduce the CDBG funds received by the City of Kalamazoo:

Kalamazoo, MI	Alternate 1 -7%	Alternate 2 -28%	Alternate 3 -5%	Alternate 4 -7%
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CDBG funding will continue to be impacted by changing demographics within the United States. Under the current guidelines, each community which achieves a population of 50,000 or more is eligible to become a participating jurisdiction. Since FY 1982, the number of entitlement communities has grown from 732 to 1,105. National priorities will continue to dictate how much funding is available for domestic programs including CDBG. The current (2006) message from Congress to HUD has been to leave the formula system as is with no alternatives being recommended at this time.

Mr. Thomas referred to the letter from Mayor McKinney, copies of which were provided in the CDAAC packets. The letter urges Congressman Upton to continue his efforts to preserve CDBG funding and thanks him for his efforts in that regard.

Ms. Osowski questioned what would happen if there were no more CDBG funds. Recent media reports describe serious problems with state funding in New Jersey and the impact of such shortfalls. The cause of those problems could be a concern locally. She suggested pursuing more leveraging options when looking at the CDBG applications.

Mr. Coss inquired as to the impact on funding for Kalamazoo if there are no changes to the formula.

(6:49 p.m. Commissioner Cooney arrived.)

Mr. Thomas advised that the impact on Kalamazoo would be contingent on the final decision by Congress, but nothing is definite at this point.

Mr. Fricke thanked Mr. Thomas for providing the statistics on HUD funding. This information is relevant to CDAAC's decision-making process. Mr. Fricke provided the following information on funding allocations:

The City of Kalamazoo is currently lobbying for HUD to maintain funding levels for CDBG programs and opposes any formula changes that are currently being used to determine the funding levels for qualifying municipalities.

The City of Kalamazoo has seen an effective decrease of 1.39 million dollars since 2001 in CDBG funding for our community. If trends continue, Kalamazoo will likely see continued decreases or even outright elimination of CDBG funding. This will be due to Kalamazoo's deficiencies in one or more of the funding formula criteria. A study of those criteria shows where the city is at risk:

**Poverty** – The city’s poverty is weighted most heavily in both funding formula (50% in formula A, and 30% in formula B). The estimated poverty rate for Kalamazoo in 2003 is 23.3%. That level is up from 12.8% in 1969. (appendix 1)

**Overcrowding** – Kalamazoo currently hosts a population base of 3,125 people per square mile. Since 1990 we have experienced a 4.2% decrease in our density. We currently rank 15<sup>th</sup> in the State of Michigan among cities of 50,000 or more, ahead of other west Michigan cities of Wyoming and Battle Creek. (appendix 2)

**Pre-1940 housing** - Nearly 30% of all of Kalamazoo’s housing stock was built prior to 1939 and 90 percent was built prior to 1955. The average age of housing stock in Kalamazoo is 58 years old. The national average is 28 years and the average for the Metropolitan area is 44 years. (appendix 3)

**Population/Growth lag** – The City of Kalamazoo’s population as of 2003 is 75,382 people. That represents a 12% drop since 1970. Between the census of 1990 and the census of 2000 the city saw a 3.9% decrease. Meanwhile, the surrounding suburbs within Kalamazoo County experienced a population growth of 39 percent between 1970 and 2003. Nationally, between 1960 and 2000 the growth rate for metropolitan areas was 37.4 percent. (appendix 4)

While continued lobbying efforts to maintain funding is critical, the City of Kalamazoo must also take significant steps locally to ensure that the factors that we can control within the funding formula are maintained. The city has taken such steps in several of these areas, including:

**Poverty** – The city is supporting the continuing efforts of the Poverty Reduction Initiative and supporting job training and creation along with affordable housing. By decreasing poverty we will see a softening of the needs for CDBG funding within our city. Increasing poverty to increase funding is obviously counterproductive.

**Overcrowding** – The city has recently undertaken a re-writing of our zoning ordinances to better reflect the stresses put on our neighborhoods by overcrowding. The city has also set forth tougher definitions of “family” as it relates to multi-family housing and encouraged the presence of single-family housing in our community. Increasing overcrowding to increase funding is not desirable.

**Pre-1940 housing** – The city’s Anti-Blight Team has worked to eradicate substandard housing within our community, much of which resulted from the aging housing stock. Removal of such housing and replacement with newer units will affect the overall housing stock age. Again, increasing the median age of housing to increase funding is not recommended.

**Population/Growth Lag** – Unfortunately, this is one area in which the City of Kalamazoo has yet to establish any focused tangible effort to address. While our city’s rankings in other formula criteria remain (unfortunately) strong, our decline in population

has been the greatest factor in our decreasing funding and the greatest threat to our continued funding. Population decrease affects most of the city's revenue sources including CDBG, HOME, Emergency Shelter Grants, State revenue-sharing, property taxes and more.

Commissioner Cooney commented that there are a couple of efforts being made to bring people back to the City of Kalamazoo: 1. The "Kalamazoo Promise; and 2. Housing development in the downtown area. The age of housing stock in the city and problems with lead paint are also issues. The State of Michigan has awarded grant money to the county of Kalamazoo to deal with lead hazards. Commissioner Cooney suggested conducting a study to determine what would attract residents back to the City of Kalamazoo.

Mr. Fricke mentioned that increased enrollment as a result of the Promise doesn't necessarily indicate an increase in population in the City of Kalamazoo since some residents of Oshtemo and Kalamazoo Township are also eligible to benefit from the Promise. He suggested looking at why people would move to the townships and not the City of Kalamazoo.

Mr. Coss mentioned that, "pre-1940's housing" was a designation given in the 1970's. He suggested that the formula might need to be updated to state, "pre-1960's housing" or another more updated cut-off point. Changing the criteria could increase funding for Kalamazoo and address issues that need attention. Mr. Fricke questioned why the age of a house is a determining factor in the formula. Mr. Thomas stated that back in the 1970's, the authors of the formula were looking at 35-year-old housing stock (pre-1940's at that time). Commissioner Cooney commented that there was a tremendous housing boom after WWII, and maybe that was what determined the cut-off point.

Mr. Kinsey mentioned that he had reviewed the analysis of the criteria, and he thought this information would also be helpful to the City Commission if the issue is reviewed at that level. He advised giving serious consideration to how population affects CDBG funding for Kalamazoo.

Ms. Osowski commented that most people can't afford to live in the lofts and condos in downtown Kalamazoo. She advised that, even as a person in a middle-income bracket living in the City of Kalamazoo, she had run out of funds and was unable to complete the updates to her house at this point. Discussion followed with regard to involving the Realtors Association in the review process for CDBG funding. Commissioner Cooney commented that Kalamazoo is about two times the national average (12%) regarding poverty rate.

Discussion followed with regard to the student population and how that affects CDBG funding. Commissioner Cooney commented that more students are moving outside of the Kalamazoo City limits and that will also affect funding.

Ms. Osowski questioned why the system is currently set up to fund the city and county separately; why not just include both areas as one entity? Mr. Fricke advised that combining the two areas was attempted in 1964 but the result was unfavorable. Mr. Coss added that he thought regional thinking could benefit Kalamazoo.

Ms. Osowski stated that the course of action outlined in the last paragraph of Mr. Fricke's presentation would be a good first step for dealing with the current funding issues. She stressed that there are things that could be done to make the situation better.

**Mr. Fricke, supported by Mr. Kinsey, moved to recommend that the City Commission establish a formal effort to identify the causes of population declines within our city. It is further recommended that the findings be used to establish an effective action plan that would tangibly slow, or reverse the trend of declining population within the city, and thereby encourage sustained and beneficial population growth within the City of Kalamazoo. With a voice vote, the motion carried unanimously.**

Commissioner Cooney suggested that a representative from CDAAC present these findings to the City Commission and make the recommendation. It was suggested that Mr. Fricke make the presentation to the City Commission. Commissioner Cooney advised that the next City Commission meeting would be on July 17<sup>th</sup>. The information could be presented during the City Commission meeting under "Citizen Comments," or it could be added as a specific agenda item. A request was made for the presentation to be added to the City Commission agenda and Mr. Cooney advised that he would follow up with that request.

Ms. Coleman suggested that taxation in the City of Kalamazoo might have an affect on the population in the area. She advised that she has been a resident of Kalamazoo for 50 years and she resides in a historic house built in 1884. Ms. Coleman indicated that she has heard comments from people advising that they are reluctant to reside in the city because of the high taxes. There is land on the north side of Kalamazoo that could be used for developments to increase the tax base.

Mr. Thomas advised that Jeff Chamberlain, Director of Community Planning and Development is working on new initiatives to try and put housing back into use as affordable housing stock.

Commissioner Cooney stated that Mary Baker, a national expert on housing, explained how other cities have developed housing trust funds as a means of setting aside guaranteed funds for housing. Approximately 100 cities in the U.S. have housing trust funds. The City of Kalamazoo has set aside \$250,000 to be used for that purpose, but they need someone to match that amount in order to get the trust fund up and running. Commissioner Cooney commented that 90% of the cities charge a 1% tax when real estate changes hands; that 1% goes into the housing trust fund. Adopting a similar program would give the City of Kalamazoo the money needed to develop a housing trust fund. Mr. Fricke commented that he'd heard that the county can't institute such a tax.

Commissioner Cooney commented that the State of Michigan limits the ability of the cities and counties to levy taxes. However, some exceptions are made and more information is needed to determine if taxes can be increased locally to support a housing trust fund.

Mr. Coss inquired if the city was taking out back taxes on some of the blighted properties or if they might be auctioned off to people who would be willing to fix them up; this would help maintain the tax base. Mr. Thomas advised that the City of Kalamazoo has a list of properties that have reverted to state-ownership due to tax foreclosure. Many times when those properties are sold at auction, they continue to be neglected and they proceed back through the system over the next few years. Mr. Fricke commented that the sale of a house obtained through foreclosure provided funds for the summer youth program last year. Mr. Thomas stated that the city obtained 6 houses through the state foreclosure program last year, and this year the city purchased 8 houses through the same program.

Ms. Coleman commented that there is a high rate of poverty in the city and she questioned if the City is attracting more poverty; are there ways to positively impact that problem. Mr. Fricke mentioned that most of the services for the poor in Kalamazoo County are housed within the City of Kalamazoo. There are no public transportation routes in residential areas of Portage and only two in the township of Kalamazoo. It is difficult to live in other areas of Kalamazoo County and still access social service programs that are only available in the City of Kalamazoo. Commissioner Cooney commented that there should be a regional solution to this problem and Metro Transit is working on that.

### **MEDC: CDBG Application for South Burdick Streetscape**

Mr. Thomas advised that applications were submitted to the state before the June 20<sup>th</sup> deadline. The city already had the funds but had to go the formal process of submitting an application.

### **Neighborhood Associations of Michigan (NAM) Conference Update**

Mr. Thomas announced that NAM will have its 20<sup>th</sup> annual conference in Kalamazoo on September 22<sup>nd</sup> and 23<sup>rd</sup>. Ms. Steppenwolf attended the last meeting and Mr. Thomas requested that she give an update.

Ms. Steppenwolf thanked Mr. Thomas for helping put the NAM conference together. The theme this year is "Changing Faces." Some neighborhoods are facing new challenges with the influx of diverse residents, including Middle-Easterners. Seniors are staying in their homes longer and there will be a presentation on what's being done to help them. A sergeant from Public Safety will be giving one of the presentations. There were 20 people in attendance at the last NAM Steering Committee meeting. The NAM conference will be held at the Holiday Inn West on Stadium Drive, and the neighborhoods have been asked to send representatives to the meeting.

Mr. Thomas commented that invitations to the NAM conference were sent to all neighborhoods in Kalamazoo, not just CDBG eligible neighborhoods. Residents have expressed much interest in the "Kalamazoo Promise." There will be a bus tour to points of interest in the city: the Riverfront Redevelopment Area, historic district and Northside Neighborhood, etc. Mr. Fricke suggested inviting Representatives Lipsey and Sackley to the NAM meeting; they might be able to help effect changes that are formulated.

Mr. Fricke mentioned that there are currently 6 CDBG eligible neighborhoods. Mr. Fricke inquired as to how often the eligibility would be reviewed and the possibility of adding other neighborhood's, e.g., Oakwood, CDBG status. Mr. Thomas explained that HUD reviews that situation as it pertains to the census figures every 10 years. Also, HUD only impacts certain programs. For instance, if you wanted to make street improvements, you could do so through a CDBG eligible census tract because it is assumed that everyone in that area would benefit from having a new street. However, if the street runs through the Milwood Neighborhood, for instance, (a neighborhood which is not CDBG eligible) the question would be, who would benefit from these federal funds for low income people. Milwood would not meet the criteria under area benefit. It would still be possible for certain properties within the Oakwood Neighborhood to receive CDBG funds if they were income eligible. With the previous Consolidated Plan, the City Commission stressed that CDBG funds be used to target the neighborhoods with the greatest need; that was more of a local directive. Mr. Fricke commented that the lower poverty rate is the reason the Oakwood Neighborhood is no longer eligible. Mr. Coss mentioned that the Oakwood Neighborhood is divided into two sections; one section is eligible for CDBG funding, but the other area is not eligible.

**CITIZENS' COMMENTS**

None

**ADJOURNMENT**

**Ms. Steppenwolf, supported by Mr. Kinsey, moved to adjourn the July 6, 2006 CDAAC meeting. With a voice vote, the motion carried unanimously.**

The meeting adjourned 7:35 p.m.

Submitted by: \_\_\_\_\_ Dated: \_\_\_\_\_  
(Recording Secretary)

Reviewed by: \_\_\_\_\_ Dated: \_\_\_\_\_  
(Staff Liaison)

Approved by: \_\_\_\_\_ Dated: \_\_\_\_\_  
(CDAAC Chair)