




## MEMORANDUM

**TO:** Mayor and City Council   
**FROM:** Veronica Briseño, Director  
Economic Development Department  
**DATE:** October 30, 2019  
**SUBJECT:** Response to Resolution No. 20190919-088 – Use of Funds for Healthy Food Retail

The purpose of this memorandum is to provide an update to Council on [Resolution No. 20190919-088](#), which directed the City Manager to provide a report recommending changes to City of Austin [Ordinance No. 820401-D](#) that will eliminate the limitations of the use of Community Development Block Grant (CDBG) funds for healthy food retail, specifically for the development of grocery stores in areas with low food access, such as Southeast Austin, among other areas. The Economic Development Department (EDD) and Neighborhood Housing and Community Development (NHCD) collaborated on this response.

The primary objective of the CDBG Program is to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for persons of low- and moderate-income.<sup>1</sup> Funds must be used to provide maximum feasible priority to activities that will support one of the three broad national objectives: benefit to low- and moderate-income families, aid in the prevention or elimination of slums or blight, or activities that meet an urgent community need due to existing conditions that pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available to meet such needs. At least 70% of the total CDBG funds must be used for activities that benefit low- and moderate-income persons; and at least 51% of the beneficiaries of the individual activities must be low- and moderate-income persons.

CDBG funds can be utilized to finance eligible economic development projects such as the development of a grocery store. Some of the eligible uses for the development of a grocery store financed with CDBG funds include: acquisition and disposition of property, commercial rehabilitation, as well as special economic development activities.<sup>2</sup> Used in this way, CDBG funds could also help to leverage the City's Section 108 CDBG loan guarantee and Chapter 380 programs to assist in grocery store development.

Should Council amend Ordinance No. 820401-D to support a more expansive use of CDBG funds, including potential support for a grocery store, staff recommends the following revisions:

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<sup>1</sup> 24 CFR § 570.208

<sup>2</sup> "Special Economic Activities" refers to a specific set of activities, defined in 24 CFR 570.203.

PART 3. The primary objectives of community development activities funded with Community Development Block Grant (CDBG) dollars in the City of Austin shall be the development of ~~a viable urban community communities by providing including~~ decent housing, and a suitable living environment, ~~elimination of slums and blight~~ and expanding economic opportunities, principally for persons of low- and moderate-income. To be eligible under this Ordinance, a project or activity must either:

a) Serve beneficiaries, at least fifty-one percent (51%) of whom, are low- and moderate-income persons~~provide at least seventy-five percent (75%) of its benefits to low and moderate income persons;~~ or

b) Aid in the prevention or elimination of slum or blight, limited specifically to areas where the majority (51%) of the residents are low and moderate income persons, provided that tourism and tourism-related activity are excluded from the scope of the proposed project or activity; specifically excluded are convention centers, multi-story parking lots, hotels, motels, or other lodging, or projects or activities enhancing such facilities or businesses; or

c) Meet an urgent community need that threatens the health or welfare of residents.~~Qualify as an economic development activity under Part 6 of this Ordinance.~~

With the exception of projects which are directly supportive of and concurrent with the development of a grocery store, in implementing (b-a-c) above, the City's general obligation to provide capital improvements to the target areas is not diminished except in extraordinary circumstances. Capital improvements in the target areas are to be funded through the normal course of city-wide capital improvements.

If adopted as shown, these revisions render Part 6 of Ordinance 820401-D redundant, as all economic development projects would also need to comply with these requirements. Therefore, if Council adopts these revisions, staff recommends the removal of Part 6 from the ordinance as well.

As noted in the resolution, the use of CDBG funds for the development of a grocery store would require a substantial amendment to the 5-year Consolidated Plan that directs the City of Austin's use of CDBG funds and would also statutorily require additional citizen participation. A full feasibility assessment of the processes required to allocate CDBG funding in support of a grocery store development project, including but not limited to changes to the Consolidated Plan, would require additional time. However, the above revisions to Ordinance 820401-D would help ensure that it would allow the City to effectively utilize CDBG resources to achieve the objectives identified by Strategic Direction 2023, including ensuring healthy and affordable foods are accessible to all.

Please feel free to contact me or Chris Schreck, Food Industry Development Coordinator, if you have any questions.

xc: Spencer Cronk, City Manager  
J. Rodney Gonzales, Assistant City Manager  
Rosie Truelove, Director, Neighborhood Housing and Community Development