

Funding the Bethlehem Food Co-Op: concerns about compliance

The Bethlehem Gadfly Bethlehem Food Co-Op, City government, Co-Op, Bethlehem Food, Serious Issues November 1, 2019

 *The latest in a series of posts on City government* 

Dana Grubb is a lifelong resident of the City of Bethlehem who worked 27 years for the City of Bethlehem in the department of community and economic development, as sealer of weights and measures, housing rehabilitation finance specialist, grants administrator, acting director of community and economic development, and deputy director of community development.

Gadfly,

Regarding competition for the CDBG & HOME funding, one of the weaknesses in City Hall is the lack of dissemination of the availability of the applications using the City's website to make these kinds of announcements. That being said, I think the competition is found more in the amounts requested (over \$324,000) versus what is awarded (over \$190,000). Under the "Other" category I did notice a few different proposed recipients.

As far as the \$155,000 allocation to the Bethlehem Food Co-op, \$50,000 in 2019 and an additional \$105,000 proposed for 2020, the question and my concerns expressed have absolutely nothing to do with the merits of that initiative. My concerns are about compliance, which means meeting the legal requirements of the federal Community Development Act of 1974. Nobody has explained how allocation of this funding will benefit clientele in which 51% or more qualify as low and moderate income in order to meet both the legal and regulatory requirements for CDBG.

When I asked the DCED director after the meeting how these requirements were being met, she shrugged her shoulders as if to say, “I don’t know.” Well, how can you recommend that a Mayor include this allocation and that Council approve it if you don’t know how it qualifies? There hasn’t been one example given how funding a food co-op will benefit primarily low and moderate income residents. I’m assuming the co-op will be open to all residents, yet 51% of Bethlehem’s population is not low and moderate income. Have the 660 members been surveyed to see if 51% are low and moderate income? I doubt that. So where is the statutorily required low/mod benefit?

Councilman Reynolds’ comments served to prove my second concern about conflict of interest as he touted his membership #141 and praised the initiative of the Bethlehem Food Co-op. Unfortunately, cheerleading something in which an elected official has a financial interest is not the way to go. The promise of future member benefits such as special sales/deals and already existing benefits of discounts at an array of Bethlehem businesses have monetary value that can add up if the Co-op is successful. THAT does not read well and it was similar conditions that lead to a Grand Jury investigation into a former City Councilwoman who was forced to resign because of her conflict of interest between her elected office and the non-profit she was involved with. Elected officials seldom seem to learn from other errors.

Councilman Reynolds should only be concerned about compliance with the federal law!

So, what should happen. First, I would question the need for \$5,000 for operations. At \$350 for each of 660 co-op members, a total of \$231,000 should have been collected. Operations should come from that pot, not from taxpayers. Why is anything needed for operations? Was an audit submitted with the application to demonstrate the sound financial management of co-op memberships collected? Second, is there a way to justify low and moderate income benefit for the additional \$50,000 already allocated and the additional \$100,000 requested? I believe there

is, but is it my responsibility to outline how? And it may reduce the amount needed for physical fit-out of a co-op facility if it's used in a way that complies with federal law and CDBG program regulations.

So, here is my suggestion if anyone cares to listen. The \$150,000 (or less if it costs less) total should be used for ADA (Americans with Disability Act) improvements ONLY when the co-op is constructed. Accessible checkout stations, ADA certified entrance doors, ADA restrooms, etc. HUD recognizes a "presumed" low/mod benefit when ADA improvements are completed using CDBG. Of course at this point there are no construction estimates to base this on, which if I were still running the CDBG program would be problematic.

In the end, the issue of conflict of interest, perceived or real, is the biggest hurdle to overcome in my opinion. And as I suggested to the DCED director, a low interest economic development loan is ultimately the best path to follow, because no elected official who is a co-op member would need to weigh in on that and cast a vote.

I administered grants, including CDBG and HOME, for the City of Bethlehem for 16 years of my 27 year city career. The city does not want to be caught mispending any grant money, let alone federal grant money. You want to build trust with funding agencies by administering grants based on law and regulations, not happy feelings that something is good for your community. For several years the City of Chester, Pennsylvania, lost its federal funding and had to repay all of it. Bethlehem does not want to fall into that trap, and it's best if City officials, both elected and appointed, cross their tees and dot their eyes so it doesn't ever happen!

Dana

Remember that Dana spoke at Monday's Community Development meeting, and we provided the video here on Gadfly on Wednesday. Dana elaborates in this post on the two points he made at that meeting.

Note that in the previous post, Kathy Fox does give an example of the kind of activity that Dana mentions as missing in his third paragraph. Gadgetfly appreciates the way Dana provides options/solutions to the problems he sees for a project that has merit.