

Bethlehem Food Co-Op funding: Gadfly thinks the ball is in the City's court

The Bethlehem Gadfly Bethlehem Food Co-Op, City government, Co-Op, Bethlehem Food, Serious Issues November 4, 2019

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

We're following the controversy over the Council approval of the City awarding \$105,000 in Federal Government CDBG funds (HUD) to the Bethlehem Food Co-Op (\$50,000 last year).

With a little online searching, Gadfly found several sites that related to CDBG funds and Co-Ops. (Along the way, Gadfly noted several references to the CDBG program as "flexible" and used often to "leverage" projects).

Can a non-profit like BFC qualify for CDBG funds?

A faithful follower of Gadfly has recently posted the opinion that food co-ops often receive CDBG funding.

Gadfly's non-professional web search did pick up several instances of such funding.

A particularly good example, in fact, came from HUD itself:

**The Community Development Block Grant (CDBG)
Serving Low- and Moderate- Income Neighborhoods since 1974
A Multi-Media Scrapbook
Department of Housing and Urban Development
2014**

The BFC application would have to fit the following general criteria that we have cited before (p. 2):

The Community Development Block Grant (CDBG) program helps local governments develop viable urban communities. It is an important and flexible program that is used to address one of three national objectives:

- *Benefit low- and moderate-income (LMI) persons;*

- *Aid in the prevention or elimination of slums or blight; and,*
- *Meet an urgent need of recent origin that the unit of general local government is unable to finance on its own.*

A link in the scrapbook's bullet 1, takes you to:

The following activities are different ways of meeting the national objective to benefit low- and moderate-income persons.

- *Activities carried out in neighborhoods, consisting predominantly of persons of low- and moderate-income, to provide services for such persons, can qualify under the LMI Area Benefit national objective.*
- *Activities involving facilities, designed for use predominantly by persons of low- and moderate-income, can qualify under the LMI Limited Clientele national objective.*
- *Activities that involve the acquisition or rehabilitation of property to provide housing, which upon completion will be occupied by low- and moderate-income persons, can qualify under the LMI Housing national objective.*
- *Activities involving employment of persons, a majority of whom are persons of low- and moderate-income, can qualify under the LMI Jobs national objective.*

Gadfly can't be sure, but bullets #1 and #2 seem most probably the ones pertinent to BFC. So let's look at them.

More on Bullet #1:

Examples may include the following when they are located in a predominately LMI neighborhood:

- *Acquisition of land to be used as a neighborhood park*
- *Infrastructure improvements, such as sidewalks, in a residential neighborhood*
- *Construction of a health clinic*
- *Development of a community center*

The activities listed above benefit all residents in the service area (that is predominately LMI) and thus are the type of activities that may qualify under the LMI Area Benefit national objective.

More on Bullet #2:

Examples include:

- *Acquisition of building to be used as shelter for homeless persons*
- *Rehabilitation of a center for persons with disabilities to learn life skills*
- *Demolition and clearance of a building to prepare a site for a future senior center*
- *Public service activities such as provision of health care primarily for lower-income clients*

The listed examples qualify under the Limited Clientele national objective because the beneficiaries can be identified as LMI residents.

Then go to Economic Opportunities (pp. 18-19) and find — *mirabile dictu!* — a main example of a food co-op and links to a couple other food co-ops.

A business like a food co-op seems to need to qualify in one of two ways:

Projects providing essential goods and services will typically qualify either on the basis of:

LMI Area Benefit.

To qualify under the LMI Area Benefit National Objective, the service area must be primarily residential in nature. There must be documentation that the business is providing essential goods and services to that service area population. Goods and services might include grocery stores, dry cleaners, pharmacies, health care, etc. A high-end boutique or souvenir shop would not be considered as providing essential goods and services.

or

LMI Job Creation/Retention.

A Job Creation/Retention activity is one that creates or retains permanent jobs, 51% of which are held by or made available to LMI persons. Jobs indirectly created by an assisted activity (i.e., trickle-down jobs) may not be counted.

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Gadfly sees nothing that says non-profits can't receive CDBG funds, which was a question he and others had.

And a food co-op is a highlighted example of a HUD-funded project in a HUD document, so there would seem to be no hindrance to such a proposal under HUD guidelines.

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The City DCED administrator told us that applications for the CDBG funds were examined internally for compliance with HUD regulations, which, Gadfly assumes, means the points he has outlined above.

The City no doubt has to ultimately certify that compliance in pretty specific detail for HUD.

Gadfly is not sure whether at this early date — that is, prior to Council approval — that the final HUD paperwork would be filled out.

But the City could provide or at least describe the BFC application and explain how it is in compliance with the HUD guidelines we see above (perhaps last year's application as well).

Just what is BFC saying it will specifically do with the money?

And that would seem to settle the issue.

At this point Gadfly — feeling less like the Benedict Arnold of the co-op movement — is leaning toward the position that an award to BFC would be legitimate (if all bureaucratic minutia is satisfied, of course).

And that the ball is in the City's court to explain the compliance in more detail to answer the questions raised.

But what about the objection that City Council members are voting on a project in which they are “owners”?

Jeez.