

SALT LAKE CITY COUNCIL STAFF REPORT

DATE: March 7, 2003

SUBJECT: CDBG/ESG/HOME/HOPWA Overview

AFFECTED COUNCIL DISTRICTS: Citywide

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On Tuesday, March 4, 2003, the Mayor presented his recommended budgets for the use of the 2003-2004 Federally allocated Community Development Block Grant (CDBG), Emergency Shelter Grant (ESG), HOME Investment Partnerships Program (HOME) and Housing Opportunities for People with AIDS (HOPWA) monies. After his presentation, Council Members received a booklet that showed each project that applied for funding, the funding request, the funding level recommended by the Community Development Advisory Committee (CDAC) or Housing Trust Fund Board, and the Mayor's recommended funding level. Council Members also received comprehensive descriptions for each project that applied for funding.

The Council is tentatively scheduled to hold a public hearing on the Mayor's Recommended CDBG, ESG, HOME and HOPWA budgets on April 8. Briefings with the Council on the Mayor's Recommended CDBG, ESG, HOME and HOPWA budgets are tentatively scheduled for March 11, 18 and April 1, 8 and 15. The Council may wish to consider approving the budgets, with any desired revisions, on April 15, as the Administration will need to prepare a final document to submit to HUD.

MATTERS AT ISSUE

➤ OPTIONS

The Council may wish to identify its funding priorities and make tentative adjustments to the Mayor's recommendation if the Council's priorities are different than those recommended by the Mayor. The Council will hold a hearing on April 8, 2003 to receive public input.

➤ POLICY CONSIDERATIONS

Council staff will address each of the Council's policy issues within the analysis of the Mayor's Recommended CDBG, ESG, HOME and HOPWA budgets. Council Members may wish to communicate additional policy questions or requests for information to Council staff to be addressed within the analysis.

The City Council reviewed the policies that the Council has historically observed with respect to the CDBG, ESG and HOME programs in February 2000. The HOPWA program was added in fiscal year 2001. The Council agreed to keep each of the following policies, but to reevaluate yearly as needed:

1. The Council will not consider awarding CDBG, ESG, HOME or HOPWA funding to any organization unless an application for funding was received. This allows the City to meet federal requirements that all programs/ projects funded are the subject of a public participation process.
2. Due to limitations of future CDBG funds by the federal government, it is the intent of the City Council that administrative and operational support not be increased for existing programs and not be provided to new programs absent extenuating circumstances.
3. It is the intent of the City Council to only consider CDBG-eligible projects and programs located within the City's jurisdictional limits for funding.

During past briefings on the Council's historic CDBG, ESG, HOME and HOPWA policies, Council Members raised several policy issues, each of which will be included in Council staff's analysis of the Mayor's Recommended CDBG, ESG, HOME and HOPWA budgets.

4. Council Members had expressed a concern that CDBG projects are funded for design, but never get funded for construction. Council staff will include in the staff report a listing of those projects that have been designed but not constructed, as well as a ratio of projects recommended for design versus construction as requested by the Council.
5. Council Members expressed an interest in knowing what percentage of the recommended budget was allocated to administration or operating costs, versus one-time "bricks and mortar" or capital projects. Council staff will include this analysis in the staff report.
6. Council Members indicated a desire to know which projects submitted by City departments were also on the City's inventory of capital needs. Staff will provide this analysis. Historically, when CIP projects fall in CDBG-eligible areas, City departments have applied for CDBG funding. If funding was not awarded, those projects then competed for funding within the annual CIP budget.
7. Council Members raised some questions about CDBG allocations being used to fund projects submitted by City departments rather than from community or neighborhood groups. There is no requirement or restriction from HUD regarding the allocation of CDBG dollars to projects initiated by the administering agency. CDBG funding could be considered a way to augment the City's dwindling resources in order to accomplish community goals and objectives. The Council may wish to revisit the practice of funding City-initiated projects if this practice is of concern to Council Members.
8. Council Members asked whether the Council could commit multi-year funding in order to finance large projects. While a current Council cannot legally bind a future Council by appropriating future CDBG allocations (and because annual CDBG allocations are dependent on the Federal budget), the Council has some tools with which to plan for the financing of major projects. First, the Council can indicate its intent, which is not binding, to fund a project over a period of years. The Council did this in 1998 and 1999 with the construction of the Central City Senior Center, funding half of the project in 1998 and half of the project in 1999. The City simply "holds" the first allocation until the entire budget is appropriated for construction. Second, the Council can utilize Section 108 loans to fund large CDBG-eligible projects. A Section 108 loan is similar to Motor Fuel Excise Tax (MFET)

bonding, in that it borrows against future CDBG allocations, like the City has borrowed against future Class C allocations. The City must be able to prove that the City could finance the project and pay back the loan in the event that future CDBG funding became limited.

The Council and Administration utilized this funding mechanism in 1989 in order to purchase a property (the Canterbury Apartments) for the non-profit arm of the Salt Lake City Housing Authority, as they were at risk of defaulting on the bonds, which they used to purchase the rental properties. The purchase of the building was deemed to be in keeping with the community development and housing objectives of the CDBG program. In this instance, the City borrowed against a portion of 5 years of future CDBG funding, purchased the Canterbury and financed repairs at the Ben Albert Apartments. The rents from the Canterbury and CDBG funds were used to pay off the Section 108 loan. The properties have now been deeded by the City to the Housing Authority, who will begin (in 2006) to pay the City back, over a period of 10 years, for a portion of the original loan.

The City made this policy decision for two purposes: 1) to contribute to community housing development; and 2) to solidify the CDC's bond situation, since to default would have reflected negatively on the City's bonding ability.

➤ ANALYSIS

The following information is a brief summary of the proposed 29th Year CDBG, ESG, HOME, and HOPWA budgets. The summary includes an analysis of the recommended budgets and indicates where the proposed budgets differ from previous budgets or may not be consistent with previous policy directives adopted by the Council. Council staff has attached the 29th Year CDBG, ESG, HOME, and HOPWA recommendations that were provided during the Mayor's address, as well as a comprehensive description of each project that applied for funding.

Community Development Block Grant Program -

The Administration received applications for \$7,298,780 in 29th Year CDBG funding (down from \$9,463,116 during the 02-03 cycle). HUD awarded Salt Lake City \$4,937,000 in 29th Year CDBG funding, an increase of \$83,000 from the last fiscal year. The Administration is proposing to augment HUD's award with \$198,465 in funding reallocated from prior years for a total budget of \$5,135,465. The difference between funding requested and funding that can be allocated this year is \$2,163,315.

The total funding awarded and allocated over the past nine years is as follows:

- 29th Year (03-04) \$4,937,000 (+ \$198,465 reallocated from contingency = \$5,135,465)
- 28th Year (02-03) \$4,854,000 (+ \$163,800 reallocated from contingency = \$5,017,800)
- 27th Year (01-02) \$5,031,000 (+ \$300,000 reallocated from contingency = \$5,331,000)
- 26th Year (00-01) \$4,791,000 (+ \$249,279 reallocated from contingency = \$5,040,279)
- 25th Year (99-00) \$4,840,000 (+ \$150,000 reallocated from contingency = \$4,990,000)
- 24th Year (98-99) \$4,810,000

- 23rd Year (97-98) \$4,999,000 (+ \$220,000 reallocated from contingency = \$5,219,000)
- 22nd Year (96-97) \$5,145,000
- 21st Year (95-96) \$5,400,000
- 20th Year (94-95) \$5,468,000

The CDBG budget is divided into the major categories. A brief analysis of overall proposed funding for each category and how such funding compares to the 28th Year CDBG budget is as follows:

Category	28 th Year Adopted (2002-03)	29 th Year Applications (2003-04)	29 th Year CDAC Recommended	29 th Year Mayor Recommended
Housing	\$1,250,000	\$1,505,700	\$1,505,700	\$1,390,000
Street Design	70,000	78,000	38,000	38,000
Streets	1,043,000	1,333,000	1,139,000	1,210,000
Sidewalks	200,000	300,000	200,000	200,000
Parks	743,000	1,160,434	200,000	528,000
Public Services	728,100	1,382,602	706,970	722,500
Building Improvements	162,000	615,716	216,500	187,500
Planning	15,000	43,000	0	12,000
Administration	722,422	804,948	768,748	776,748
Percent for Art	3,000	3,000	3,000	3,000
Contingency	81,258	80,000	80,387	67,717
TOTAL	\$5,017,800	\$7,298,780	\$4,858,305	\$5,135,465

*Community Development Advisory Committee

The Council should note that when the CDAC Board reviewed the CDBG applications the available funds were not known and staff estimated that \$4,858,305 would be available for disbursement.

The overall Mayor's Recommended 29th Year CDBG Budget reflects the \$83,000 increase in HUD's award compared to last year, as well as the \$198,465 being proposed for reallocation from prior years' funding. Funding for Housing, Streets, Building Improvements (capital improvements for community agencies), and Administration is recommended to increase over 28th Year funding levels while funding for Street Design, Park Improvements, Public Services (operating support for community agencies), Planning and contingency is proposed to decrease from 28th Year funding levels.

The following synopsis details the major changes between the 28th Year Adopted and 29th Year Recommended CDBG budget by funding category. The Mayor's Recommended 29th Year CDBG budget generally follows the policy directives established by the City Council over the past few years.

When reviewing the past funding of CDBG projects, the Council may wish to note that since CDBG funding is not made available to the City until July 1, most capital projects are not actually completed in the funded year. For example, many projects funded in the 28th Year did not actually go out to bid until this spring, and will not be constructed until this summer. While some 28th Year projects have not actually been completed, funds remain obligated for these projects.

Housing

The City received seven applications for 29th Year CDBG Housing funding in the amount of \$1,505,700. The Mayor's recommendations for funding in this category do not vary significantly from the recommendations made by the Community Development Advisory Committee (CDAC). The Mayor and CDAC were in agreement on which projects to fund, but differed on the amount of funding. The Mayor recommended decreasing the funding for ASSIST Inc, LifeCare and SL Neighborhood Housing Services.

All of the organizations that received CDBG Housing category funding in the 28th Year and requested funding in the 29th Year are recommended for funding in the 29th Year (Neighborhood Housing Services, Salt Lake Community Development Corporation, Salt Lake City Housing and Neighborhood Development Division and ASSIST, LifeCare).

The Administration has prepared information on the past and projected performance levels of those programs being proposed to receive CDBG Housing funds. This information is available for your reference upon request.

Street Design

Three applications were received for street design projects for a total amount of \$78,000. CDAC recommended funding for the Utahna Phase 2 Street Design proposal. The Mayor is recommending the same amount.

Several of the applications are for design work on private streets that are not part of the public way. The City Council has discussed the policy relating to private streets in the past, and is awaiting further analysis by the Administration before continuing the policy discussion.

Streets

The City received four applications totaling \$1,333,000 for this category, which funds street improvements in CDBG-eligible areas. The proposed funding for this category is \$1,210,000. Overall CDBG Street funding has increased from previous years in order to complement the Council's intent to increase the City's efforts in addressing the condition of City streets. The Council may wish to note the following:

Sidewalks

The CIP Five Year Plan includes \$300,000 per year in CDBG-funded sidewalk replacement. The application for CDBG-funded sidewalk replacement this year was for \$300,000, and CDAC and the Mayor have recommended \$200,000.

Parks

There are ten requests for park category funding. The total request is \$1,152,814. CDAC is recommending \$200,000 and the Mayor is recommending \$528,000.

The Mayor's recommended funding for the Parks category includes the following projects and amounts:

- Modesto Ave. Community Park \$75,000
- ADA Plan Implementation – Citywide \$100,000
- Taufer Park Playground & Park \$228,000
- Riverside Park ADA Playground \$100,000
- Guadalupe Park ADA Playground Plan \$25,000

Public Services

The Administration received applications for \$1,382,602 in 29th Year funding from thirty-two organizations. According to HUD guidelines, the maximum amount that can be spent per year on public services expenses is 15% of the total award, plus program income. The recommended budget of \$722,500 is within the cap of 15% of 29th Year award plus program income, and therefore does not exceed HUD’s funding cap.

The “Public Services” category includes requests from agencies and organizations for operational or administrative support for programs that provide community services. While federal Community Development Block Grant regulations allow a certain amount of funds to be spent for the expansion and improvement of community services, the original intent of the program was to revitalize neighborhoods. Past Councils have maintained a policy not to increase administrative or operational funding for existing programs or to grant operational funding for new programs absent extenuating circumstances. This decision has been in consideration of the programs original intent and in light of limited CDBG funding from the federal government.

In several instances, the Mayor and CDAC have recommended that agencies receive increased operational and administrative funding, and have indicated that these recommendations were based on extenuating circumstances. The Council may wish to note that cost of living or inflationary increases have not been considered into CDBG funding allocations within recent years. The Council may also wish to note that some of the funding requests within this category are for equipment and supplies, which could be considered more of a capital item than administrative or operating item.

The Council may wish to note that with the exception of Bad Dog Rediscovered America, SL Interfaith Hospitality Network, People Helping People, Repertory Dance Theatre, and the SLC Police Department requests; all of the CDAC and Mayor’s recommendations (other the funding levels) are consistent.

Public Services Building Improvements

Applications for Public Services Building Improvements totaled \$615,716 from fifteen agencies. CDAC has recommended funding \$216,500 of these requests. The Mayor has recommended funding \$187,500 of these requests.

The Council may wish to note the following.

- The Mayor recommended funding for the following programs that the CDAC did not:
 1. Utah Alcoholism Foundation
 2. Wasatch Homeless Health Care Lobby, Entry & Exit Renovations
- CDAC recommended funding for the SL Community Action Program and the Mayor did not.

- Neither the Mayor nor CDAC recommended funding for:
 1. Boys & Girls Club – Capital West
 2. Disciples House Renovations
 3. Odyssey House
 4. Rape Recovery Center
 5. Sarah Daft House
 6. SL County Aging Services
- The following programs were recommended for funding by both the Mayor and CDAC:
 1. St. Vincent de Paul Kitchen
 2. Neighborhood House
 3. SLC Hand
 4. SL County Aging Services
 5. Volunteers of America (both requests)

Planning

One application for \$43,000 was submitted for CDBG funding within this category. CDAC did not recommend funding and the Mayor recommended \$12,000.

Administration (General/City)

This year there were two applications for General Administration funding. The Mayor recommended \$8,000 for Utah Issues. The request was for \$20,000 from Utah Issues for administrative support for a program to coordinate homeless plans. CDAC did not recommend funding either request.

For City Administration requests, both CDAC and the Mayor have recommended the full requested amount of \$768,748. In years 28, 27 and 26 the Council has agreed with the recommendations of the Mayor and CDAC for this category.

Percent for Art

The percent for art budget recommended by CDAC for the CDBG program is proposed to remain at the historical constant level of \$3,000. This year both CDAC and the Mayor are recommended that \$3,000 be allocated for art projects.

Contingency

The 29th Year contingency budget is proposed to decrease by \$13,541 to \$67,717. The Council approved \$81,258 in 28th Year contingency. Each prior year's unspent contingency funds are recaptured in a budget amendment and allocated to augment the next year's CDBG award from HUD. The Council may wish to consider this amount if additional funds are desired to fund Council CDBG priorities.

Emergency Shelter Grant Program (ESG) –

This program is designed to improve the quality of existing emergency homeless shelters, make available additional emergency shelters, meet the costs of shelter operation and provide certain essential social services to the homeless.

The Administration received applications for \$416,208 in 29th Year ESG funding. The City will receive \$166,000 from the federal Department of Housing and Urban Development this year. Total funding for past nine years is as follows:

- 28th Year (02-03) \$171,000
- 27th Year (01-02) \$169,000
- 26th Year (00-01) \$171,000
- 25th Year (99-00) \$172,000
- 24th Year (98-99) \$191,000
- 23rd Year (97-98) \$134,000
- 22nd Year (96-97) \$137,000
- 21st Year (95-96) \$197,000
- 20th Year (94-95) \$145,000
- 19th Year (93-94) \$ 64,000

A limited number of agencies in Salt Lake City operate programs that are eligible for ESG funding. CDAC did not recommend funding for the Odyssey House but the Mayor recommended \$6,000. All other requests had funding recommendations from CDAC and the Mayor, but in varying amounts. Council staff will review the differences in funding recommendations during the briefing on March 11, 2003. Staff will also review the programs and the intended uses of the funds, during the briefing presentation.

Home Investment Partnerships Program (HOME) -

The purpose of the HOME program is to provide funding for the expansion of decent, safe, sanitary and affordable housing for very low-income people. Total HOME funding over the past eight years is as follows:

- 28th Year (02-03) \$1,354,000
- 27th Year (01-02) \$1,350,000
- 26th Year (00-01) \$1,215,000
- 25th Year (99-00) \$1,209,000 (+ \$151,800 reallocated from contingency = \$1,360,800)
- 24th Year (98-99) \$1,122,000
- 23rd Year (97-98) \$1,046,000
- 22nd Year (96-97) \$1,071,000
- 21st Year (95-96) \$1,048,000
- 20th Year (94-95) \$ 974,000

The City received 29th Year HOME applications totaling \$1,188,255 from five agencies. However, the City will receive \$1,453,020 from HUD this year in HOME funds leaving an available balance of \$264,765. Council staff will review the differences in funding recommendations during the briefing on March 11, 2003. Staff will also review the programs and the intended uses of the funds, during the briefing presentation.

Housing Opportunities for Persons with AIDS (HOPWA) -

The purpose of the HOPWA program is to provide housing assistance and supportive services for low-income persons with HIV/AIDS and their families. The HOPWA Grant program provides assistance through formula allocations to eligible States and metropolitan areas. The Salt Lake City/Ogden Metropolitan Statistical Area (MSA) has qualified to receive funding from year 2001-2002 due to the number of HIV/AIDS cases in the MSA. The grant amount this year is \$438,000.

The City participates on a Statewide HIV/AIDS Housing Steering Committee to ensure all applications are consistent with the needs identified in the strategy for the MSA. The Steering Committee updated the State HIV/AIDS housing Plan in June 2001. The City has also met with all entities within the MSA to coordinate their recommendations and determine the services needed in their areas.

There were nine requests for \$586,251 in funding. Council staff will review the differences in funding recommendations during the briefing on March 11, 2003. Staff will also review the programs and the intended uses of the funds, during the briefing presentation.

CHRONOLOGY:

➤ BACKGROUND

The annual appropriations of CDBG, ESG, HOME and HOPWA are distributed to Salt Lake City by the U.S. Department of Housing and Urban Development (HUD). In 1995, Salt Lake City submitted a five-year consolidated plan for the CDBG, ESG and HOME programs, which defined how Salt Lake City planned to use its housing and community development resources to meet policy objectives. Each year thereafter, the Mayor proposed a one-year action plan, or budget for these programs, and reported on the past year's accomplishments in a Consolidated Annual Performance and Evaluation Report (CAPER). The City Council then made the changes deemed necessary and finalized the one-year action plan for submission to the U.S. Department of Housing and Urban Development (HUD).

In FY2000-2001, a new five-year consolidated plan was prepared by the City and adopted by the Council for submission to HUD, in addition to the one-year budget for each program. The Consolidated Plan is available for review by Council Members.

cc: Cindy Gust-Jenson, Rocky Fluhart, David Nimkin, Alison Weyher, David Dobbins, Luann Clark, Greg Johnson, Sandi Marler, Karen Wiley, Steve Fawcett and Gordon Hoskins

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