
SALT LAKE CITY COUNCIL STAFF REPORT

DATE: March 30, 2004

SUBJECT: CDBG/ESG/HOME/HOPWA Briefing

AFFECTED COUNCIL DISTRICTS: Citywide

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ADMINISTRATIVE DEPT. HAND

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On Tuesday, March 9, 2004, the Mayor presented his recommended budgets for the use of the 2004-2005 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.

On March 16, 2004, the Council held a public hearing on the Mayor's Recommended CDBG, ESG, HOME and HOPWA budgets. Briefings with the Council on the Mayor's Recommended CDBG, ESG, HOME and HOPWA budgets are tentatively scheduled for April 1, 6 and 8. The Council may wish to consider approving the budgets, with any desired revisions, on April 13, 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 received recommendations from the Mayor, held a public hearing and received public input. All correspondence that the Council Office received has been forwarded to Council Members for review.

➤ **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. The Administration has included this information in the total section on the attached applicant spreadsheet.
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 some 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 30th 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 30th 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. This attachment will be projected on a screen during the April 1, 2004 briefing.

Community Development Block Grant Program –

The Administration received applications for \$10,073,383 in 30th Year CDBG funding (up from \$7,298,780 during the 03-04 cycle). HUD awarded Salt Lake City \$4,891,000 in 30th Year CDBG funding, a decrease of \$46,000 from the last fiscal year. The Administration is proposing to augment HUD's award with \$400,000 in funding reallocated from prior years for a total budget of \$5,291,000. The difference between funding requested and funding that can be allocated this year is \$4,782,383.

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

- 30th Year (04-05) \$4,891,000 (+ \$400,000 reallocated from contingency = \$5,291,000)
- 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 29th Year CDBG budget is as follows:

Category	29th Year Adopted (2003-04)	30th Year Applications (2004-05)	30th Year CDAC Recommended	30th Year Mayor Recommended
Housing	\$1,405,000	\$1,714,364	\$1,348,315	\$1,463,315
Street Design	58,000	352,000	37,000	0
Streets	1,229,000	784,950	699,000	659,000
Sidewalks	200,000	300,000	235,000	200,000
Parks	481,000	848,000	363,000	665,000
Public Services	705,396	1,490,575	715,625	733,650
Building Improvements	234,066	1,299,882	687,377	644,939
Urban Amenities	0	2,185,000	335,400	55,000
Planning	20,000	257,500	65,000	65,000
Economic Development	0	30,000	0	0
General Administration	0	16,200	10,000	10,000
City Administration	732,364	711,912	711,912	711,912
Percent for Art	3,000	3,000	3,000	3,000
Contingency	67,639	80,000	80,371	80,184
TOTAL	\$5,135,465	\$10,073,383	\$5,291,000	\$5,291,000

*Community Development Advisory Committee

The overall Mayor's Recommended 30th Year CDBG Budget reflects the \$46,000 decrease in HUD's award compared to last year, as well as the \$400,000 being proposed for reallocation from prior years' funding. Funding for Housing, Parks Improvements, , Public Services (operating support for community agencies), Building Improvements (capital improvements for community agencies), Urban Amenities, Planning, General Administration and contingency is recommended to increase over 29th Year funding levels while funding for Street Design, Streets, and City Administration is proposed to decrease from 29th Year funding levels.

The following synopsis details the major changes between the 29th Year Adopted and 30th Year Recommended CDBG budget by funding category. The Mayor's Recommended 30th 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 29th Year did not actually go out to bid until this spring, and will not be constructed until this summer. While some 29th Year projects have not actually been completed, funds remain obligated for these projects.

Housing

The City received nine applications for 30th Year CDBG Housing funding in the amount of \$1,714,364. 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 one exception is the Mayor recommended funding for the Multi-Ethnic Development Corp for land acquisition. The Mayor and CDAC differed in the amount of funding for the Community Development Corporation, Housing and Neighborhood Development and the Multi-Ethnic Development Corporation.

All of the organizations that received CDBG Housing category funding in the 29th Year and requested funding in the 30th Year are recommended for funding in the 30th Year. There are two new applicants, Habitat for Humanity and Multi-Ethnic Development Corporation.

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 and will be discussed briefly during the April 1, 2004 briefing.

Street Design

Five applications were received for street design projects for a total amount of \$352,000. CDAC recommended funding for the Fremont/Remington Way Design proposal. The Mayor did not recommend funding any street design proposals.

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 allocated funding to whichever of the two streets responds with a financial commitment from the property owners. The amount allocated was \$20,000. To date, neither street design project has moved forward. The Administration has been in contact with the property owners of the private street. The City's financial advisor has recommended that the City allocate its funding share of the potential Special Improvement District (SID) that will be created to reconstruct the private street in advance of the City's beginning the formal SID process. If the City was the owner of the street then this advance allocation would not be recommended. The

Administration has included a SID funding proposal as part of the fiscal year 2004-05 Capital Improvement Program which the Council will consider in May and June.

Streets

The City received four applications totaling \$784,950 for this category, which funds street improvements in CDBG-eligible areas. The proposed funding for this category is \$659,000. Overall CDBG Street funding has decreased from previous years. In years previous more money was allocated in order to complement the Council's intent to increase the City's efforts in addressing the condition of City streets.

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 recommended \$235,000 and the Mayor \$200,000.

Parks

There are nine requests for park category funding. The total request is \$848,000. CDAC is recommending \$363,000 and the Mayor is recommending \$665,000.

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

- 1700 South Jordan River Park \$100,000
- ADA Plan Implementation-Citywide \$100,000
- Glendale Park Tennis Courts \$240,000
- Jordan River Trail Lighting at Modesto Park \$100,000
- Riverside Park Parking Lot \$125,000

Public Services

The Administration received applications for \$1,490,575 in 30th Year funding from forty-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 \$733,650 is at the allowable cap of 15% of 30th 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 a few 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 the Arts Council, Disciples House, Guadalupe Center, Kostopulos Dream Foundation, Literacy Action Center, Multi-Cultural Legal Center, Neighborhood House, SLC Youth & Family Division, Utah Alcoholism Foundation, and the Utah Federation for Youth; 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 \$1,299,882 from twenty agencies. CDAC has recommended funding \$687,377 of these requests. The Mayor has recommended funding \$644,939 of these requests.

The Council may wish to note that with the exception of Catholic Community Services, Disciples House Renovations, and the Sara Daft House applications; all of the CDAC and Mayor's recommendations (other the funding levels) are consistent.

Urban Amenities

Seven applications for \$2,185,000 were submitted for CDBG funding within this category. CDAC recommended funding \$335,400 for the installation of decorative streetlights on Harrison Avenue to 1700 South between 300 & 500 East. The Mayor recommended \$55,000 for SLC Transportation to funding the installation of decorative streetlights in conjunction with City Engineering street projects in CDBG areas.

The Council may wish to consider the funding requests from the Liberty Wells community and confirm whether the requested funding is consistent with current funding of street lighting projects. Additional information from the Administration is attached regarding this issue.

Planning

Five applications for \$257,500 were submitted for CDBG funding within this category. CDAC and the Mayor recommended funding for the NW Multipurpose Center Plan and the Central City Community Center Plan.

Economic Development

There was one application from the Westside Alliance for salary and benefits for economic development activities. The requested amount was \$30,000. Neither CDAC nor the Mayor recommended funding.

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.

Administration (General/City)

This year there was one application for General Administration funding. The Mayor recommended \$10,000 for SLC Hand. The request was for \$16,200 for providing grants to eligible community councils for community outreach. CDAC also recommended \$10,000 for this applicant.

For City Administration requests, both CDAC and the Mayor have recommended the full requested amount of \$711,912. In years 29, 28, 27 and 26 the Council has agreed with the recommendations of the Mayor and CDAC for this category.

Contingency

The 30th Year contingency budget is proposed to increase by \$12,545 to \$80,184. The Council approved \$67,639 in 29th Year contingency. Recent previous years have allocations in the \$80,000 range. 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 \$271,946 in ESG funding. The City will receive \$180,593 from the Federal Department of Housing and Urban Development this year. There is an additional \$1,814 available for reallocation. Total funding for past ten years is as follows:

- 29th Year (03-04) \$166,000
- 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 American Red Cross but the Mayor recommended \$15,000. CDAC recommended \$5,000 for the Weigand Resource Center and the Mayor recommended \$0. All other requests had funding recommendations from CDAC and the Mayor, but in varying amounts. The Administration and staff can brief the Council on the programs and the intended uses of the funds, during the work session.

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 nine years is as follows:

- 29th Year (03-04) \$1,453,020
- 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 Year HOME applications totaling \$2,290,100 from eight agencies. The City will receive \$1,455,036 from HUD this year in HOME funds. The Administration and staff can brief the Council on the programs and the intended uses of the funds, during the work session.

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 \$386,000 combined with an additional \$3,385 in available funds.

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 eleven requests for \$840,874 in funding. The Administration and staff can brief the Council on the programs and the intended uses of the funds, during the work session.

➤ **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, Lee Martinez, David Dobbins, Luann Clark, Greg Johnson, Sandi Marler, Karen Wiley, Steve Fawcett and Gordon Hoskins

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