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# SALT LAKE CITY COUNCIL STAFF REPORT

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**DATE:** April 12, 2005

**SUBJECT:** CDBG/ESG/HOME/HOPWA/ADDI Discussion

**AFFECTED COUNCIL DISTRICTS:** Citywide

**STAFF REPORT BY:** Jennifer Bruno, Budget & Policy Analyst

**ADMINISTRATIVE DEPT. AND CONTACT PERSON:** Housing And Neighborhood Development  
LuAnn Clark

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A discussion is scheduled for Tuesday, April 12<sup>th</sup>, with a follow-up discussion scheduled for Thursday, April 14<sup>th</sup>. The Council will adopt a formal CDBG resolution on Tuesday, April 19<sup>th</sup>. For detailed project and funding request information, please refer to the CDBG book, provided by the Administration for the March 8<sup>th</sup> presentation.

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The following staff report was provided previously to the Council for the March 15<sup>th</sup> CDBG Hearing. It is provided again for your reference.

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On Tuesday, March 8, 2005, 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), Housing Opportunities for People with AIDS (HOPWA), and American Dream Downpayment Initiative (ADDI) 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.

Salt Lake City's funding level for fiscal year July 1, 2005 to June 30, 2006 represents over a 5 percent reduction (\$241,093) from the current fiscal year. The federal government is discussing additional cuts for the fiscal year July 1, 2006 to June 30, 2007, which are currently included in the President's recommended budget would result from the re-organization of the funding process for CDBG. The federal government tries to adopt their budget in October but has not been able to do that for the last several years and has used continuing resolutions to keep the government up and running.

On March 15, 2005, the Council will hold a public hearing on the Mayor's Recommended CDBG, ESG, HOME, ADDI and HOPWA budgets. Briefings with the Council on the Mayor's Recommended CDBG, ESG, HOME, HOPWA, and ADDI budgets are tentatively scheduled for April 5, 7 and 12. The Council may wish to consider approving the budgets, with any desired revisions, on April 19, as the Administration will need to prepare a final document to submit to HUD.

## 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, and will hold a public hearing to receive public input. All correspondence that the Council Office received has been forwarded to Council Members for review.

## POLICY CONSIDERATIONS

The City Council has the following policies with respect to the CDBG, ESG, HOME, and HOPWA programs. The Council may wish to reevaluate its policies to reaffirm or revise them.

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 prior-year briefings on the Council's CDBG, ESG, HOME and HOPWA policies, Council Members raised several policy issues.

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.
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 some 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 31<sup>st</sup> 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 31<sup>st</sup> 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 -***

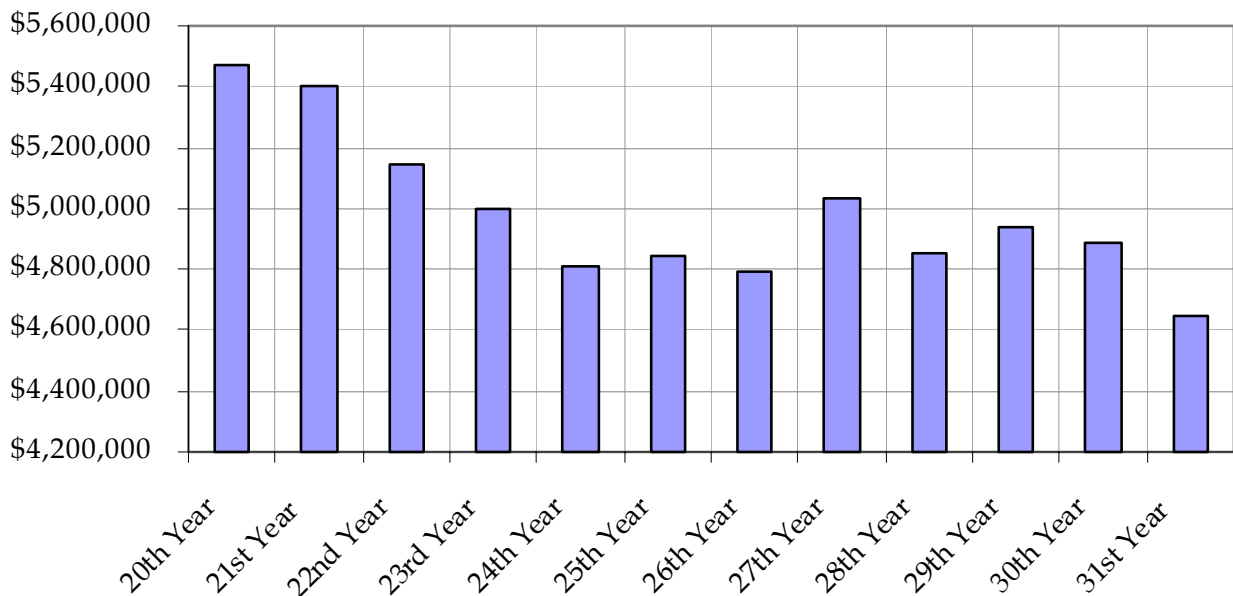
The Administration received applications for \$11,307,796 in 31<sup>st</sup> Year CDBG funding (up from \$10,073,383 in the 30<sup>th</sup> year). HUD awarded Salt Lake City \$4,649,907 in 31<sup>st</sup> Year CDBG funding, a decrease of \$241,093 (over 5 percent) from the last fiscal year. The Administration is

proposing to augment HUD's award with \$378,138 in funding reallocated from prior years for a total budget of \$5,028,045. The difference between funding requested and funding that can be allocated in this funding cycle is \$6,279,751 (up from a \$4,782,383 shortfall in the 30<sup>th</sup> year).

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

- 31<sup>st</sup> Year (05-06) \$4,649,907 (+ \$378,138 reallocated from contingency = \$5,028,045)
- 30<sup>th</sup> Year (04-05) \$4,891,000 (+ \$400,000 reallocated from contingency = \$5,291,000)
- 29<sup>th</sup> Year (03-04) \$4,937,000 (+ \$198,465 reallocated from contingency = \$5,135,465)
- 28<sup>th</sup> Year (02-03) \$4,854,000 (+ \$163,800 reallocated from contingency = \$5,017,800)
- 27<sup>th</sup> Year (01-02) \$5,031,000 (+ \$300,000 reallocated from contingency = \$5,331,000)
- 26<sup>th</sup> Year (00-01) \$4,791,000 (+ \$249,279 reallocated from contingency = \$5,040,279)
- 25<sup>th</sup> Year (99-00) \$4,840,000 (+ \$150,000 reallocated from contingency = \$4,990,000)
- 24<sup>th</sup> Year (98-99) \$4,810,000
- 23<sup>rd</sup> Year (97-98) \$4,999,000 (+ \$220,000 reallocated from contingency = \$5,219,000)
- 22<sup>nd</sup> Year (96-97) \$5,145,000
- 21<sup>st</sup> Year (95-96) \$5,400,000
- 20<sup>th</sup> Year (94-95) \$5,468,000

### CDBG Historic Funding Levels



The CDBG budget is divided into the major categories. A comparison of overall proposed funding for each category is as follows:

| <b>Category</b>           | <b>30<sup>th</sup> Year<br/>Adopted<br/>(2004-05)</b> | <b>31<sup>st</sup> Year<br/>Applications<br/>(2005-06)</b> | <b>31<sup>st</sup> Year<br/>CDAC*<br/>Recommended</b> | <b>31<sup>st</sup> Year<br/>Mayor<br/>Recommended</b> |
|---------------------------|---|--|---|---|
| Housing                   | \$1,424,315   | \$2,607,400  | \$1,321,000   | \$1,396,000   |
| Street Design             | 72,000  | 147,000  | -0-   | 56,000  |
| Street Construction       | 759,000   | 1,231,500  | 1,070,552   | 698,500   |
| Sidewalks                 | 240,696   | 300,000  | 230,000   | 254,240   |
| Parks                     | 665,000   | 841,000  | 425,000   | 684,500   |
| Public Services           | 733,650   | 1,316,181  | 697,486   | 697,486   |
| Building<br>Improvements  | 594,427   | 1,424,594  | 538,286   | 432,598   |
| Urban Amenities           | 60,000  | 2,528,800  | -0-   | -0-   |
| Planning                  | 90,000  | 98,000   | -0-   | 50,000  |
| Economic<br>Development   | -0-   | -0-  | -0-   | -0-   |
| General<br>Administration | 10,000  | 27,600   | 10,000  | 10,000  |
| City<br>Administration    | 711,912   | 702,721  | 702,721   | 702,721   |
| Percent for Art           | 3,000   | 3,000  | 3,000   | 6,000   |
| Contingency               | 80,000  | 80,000   | 30,000  | 40,000  |
| <b>TOTAL</b>              | <b>\$5,444,000</b>                                    | <b>\$11,307,796</b>  | <b>\$5,028,045</b>                                    | <b>\$5,028,045</b>                                    |

\*Community Development Advisory Committee

The overall Mayor's recommended 31<sup>st</sup> Year CDBG Budget reflects the 241,093 decrease in HUD's award compared to last year. The Mayor is recommending that funding for all categories decrease to accommodate this cut, with the exception of General Administration funding, which will stay the same, and Sidewalks, Parks, and Percent for Art, which will increase. The following synopsis details the major changes between the 30<sup>th</sup> Year Adopted and 31<sup>st</sup> Year Recommended CDBG budget by funding category.

### **Housing**

The City received eight applications for 31<sup>st</sup> Year CDBG Housing funding in the amount of \$2,607,400. 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 additional funding beyond CDAC's recommendation for the Salt Lake Community Development Corporation's property acquisition and rehabilitation program. The Mayor and CDAC did not differ in any other recommended funding amounts.

All of the organizations that received CDBG Housing category funding in the 30<sup>th</sup> Year and requested funding in the 31<sup>st</sup> Year are recommended for funding in the 31<sup>st</sup> Year. There is one new applicant, Mukon Community Development (located in Provo), which did not receive a funding recommendation by either CDAC or the Administration.

### **Street Design**

Four applications were received for street design projects for a total amount of \$147,000. CDAC did not recommend any funding for street design proposals. The Mayor recommended funding for the design proposal for improvements to the Redwood Drive and Dale Street area.

### **Streets**

The City received four applications totaling \$1,231,500 for this category, which funds street improvements in CDBG-eligible areas. The Mayor recommended less funding than CDAC recommended overall. The Mayor proposed more funding than the CDAC recommendation for the construction of physical access ramps city-wide, and no funding for the Freemont St./Remington Way reconstruction.

### **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 \$230,000 and the Mayor \$254,240.

### **Parks**

There are nine requests for park category funding. The total request is \$841,000. CDAC is recommending \$425,000 and the Mayor is recommending \$684,500. The Mayor recommends funding the following projects that CDAC recommended no funding for - The Rosewood Skate Park Design, the 1700 South Jordan Park Restroom, and Sherwood Park Baseball Facilities.

### **Public Services**

The Administration received applications for \$1,316,181 in 31<sup>st</sup> Year funding from thirty-six 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 \$697,486 is at the allowable cap of 15% of 31<sup>st</sup> 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 program's 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 (machines, vehicles, computers, printers, etc).

The Council may wish to note that with the exception of the Community Services Council Utah Food Bank, Guadalupe Center, Kostopulos Dream Foundation, Multi-Cultural Legal Center, Multi-Ethnic Development Corporation, Salt Lake City Youth and Family Division, and the Utah Federation for Youth applications; all of the CDAC and Mayor's recommendations (other than exact funding levels) are consistent.

### **Public Services Building Improvements**

The Administration received twenty three applications for Public Services Building Improvements totaling \$1,424,594 from fifteen separate organizations. CDAC has recommended funding \$538,246 of these requests. The Mayor has recommended funding \$432,598 of these requests.

The Council may wish to note that with the exception of Capitol West Boys and Girls Club, Centro Civico Mexicano, Catholic Community Services, Salvation Army, and one request from TURN Community Services applications, all of the CDAC and Mayor's recommendations (other than exact funding levels) are consistent.

### **Urban Amenities**

Eight applications for \$2,528,800 were submitted for CDBG funding within this category. Both the Mayor and CDAC recommended funding no projects. CDBG funding will be held off until a city-wide Streelighting Policy is adopted, providing the Administration and the Council guidelines by which to judge and compare neighborhood requests for streetlighting. It will also lay out a standard procedure for financing the streetlighting construction and ongoing costs (neighborhood share of the costs vs. city share of the costs). It is Council staff's understanding that written information on the current streetlighting programs will be provided to the Council in March.

### **Planning**

Two applications for \$98,000 were submitted for CDBG funding within this category. CDAC did not recommend funding for either proposal. The Mayor recommended funding for the design, engineering and feasibility study to prepare and expansion of programs into the Centro Civico Mexicano.

### **Economic Development**

There were no applications 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. The Mayor recommends funding an additional \$3,000 for a total of \$6,000.

### **Administration (General/City)**

This year there were two applications for General Administration funding. Both the Mayor and CDAC recommended \$10,000 for SLC Hand. The request was for \$23,400 for providing grants to eligible community councils for community outreach. Neither CDAC nor the Mayor recommended funding the request by the Liberty Wells Community Council for mailing costs.

For City Administration requests, both CDAC and the Mayor have recommended the full requested amount of \$702,721.

### **Contingency**

The 31<sup>st</sup> Year contingency budget is proposed to be \$80,000. Both the Mayor and CDAC have recommended reducing this proposed amount. The Council approved \$80,000 in 30<sup>th</sup> 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.

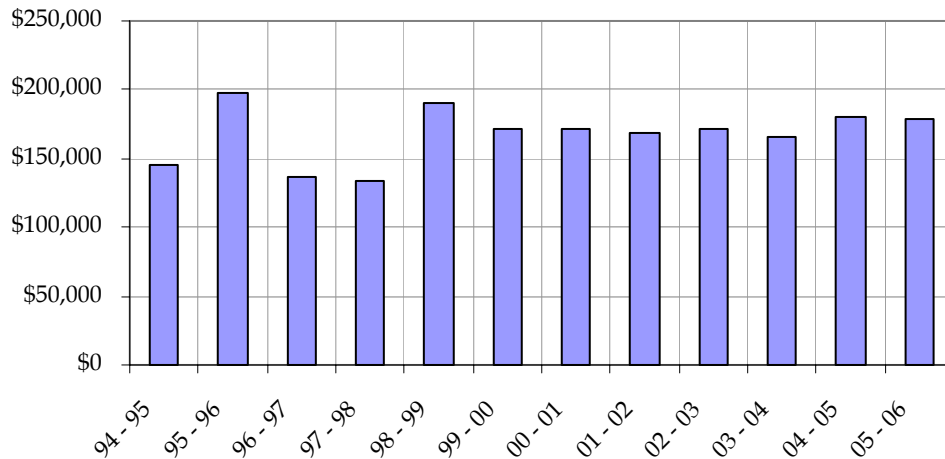
The Administration received applications for \$200,000 in ESG funding. The City will receive \$178,884 from the Federal Department of Housing and Urban Development this year. There is \$234 available for reallocation, resulting in total funds available of \$179,118. Total funding for past eleven years is as follows:

- 30<sup>th</sup> Year (04-05) \$180,593
- 29<sup>th</sup> Year (03-04) \$166,000
- 28<sup>th</sup> Year (02-03) \$171,000
- 27<sup>th</sup> Year (01-02) \$169,000
- 26<sup>th</sup> Year (00-01) \$171,000
- 25<sup>th</sup> Year (99-00) \$172,000
- 24<sup>th</sup> Year (98-99) \$191,000
- 23<sup>rd</sup> Year (97-98) \$134,000
- 22<sup>nd</sup> Year (96-97) \$137,000



- 21<sup>st</sup> Year (95-96) \$197,000
- 20<sup>th</sup> Year (94-95) \$145,000

ESG Funding Levels



A limited number of agencies in Salt Lake City operate programs that are eligible for ESG funding. A total of nine applications were received. Both CDAC and the Mayor recommended funding for all applicants. The Mayor recommended less funding than CDAC for the following applicants – Marillac House, St. Mary’s Home for Men, and Odyssey House; and more funding than CDAC for the YWCA’s Residential Self-Sufficiency Program. All other programs had equal recommendations. 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 eleven years is as follows:

- Year 04-05 \$1,455,036
- Year 03-04 \$1,453,020
- Year 02-03 \$1,354,000
- Year 01-02 \$1,350,000
- Year 00-01 \$1,215,000
- Year 99-00 \$1,209,000 (+ \$151,800 reallocated from contingency = \$1,360,800)
- Year 98-99 \$1,122,000
- Year 97-98 \$1,046,000
- Year 96-97 \$1,071,000
- Year 95-96 \$1,048,000
- Year 94-95 \$ 974,000

The City received HOME applications totaling \$2,008,635 from eight agencies. The City will receive \$1,373,848 from HUD this year in HOME funds, to combine with \$14,015 in reallocated funds, for a total funding amount available of \$1,387,863 (a \$67,173 decrease from last year’s funding cycle). 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 2005-2006 due to the number of HIV/AIDS cases in the MSA, with two counties added this year, Tooele and Summit. The grant amount this year is \$354,000 combined with an additional \$68,688 in available funds, for a total of \$422,688. The grant amount last year was \$386,000 (this year's grant amount represents a \$32,000 decrease).

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, with revisions planned for this year. The City has also met with all entities within the MSA to coordinate their recommendations and determine the services needed in their areas, as well as how best to perform community outreach.

There were ten requests for \$532,628 in funding. The Administration and staff can brief the Council on the programs and the intended uses of the funds, during the work session.

### ***American Dream Downpayment Initiative (ADDI) -***

The American Dream Downpayment Initiative (ADDI) was a new federal program in 2004. ADDI aims to increase the homeownership rate, especially among lower income and minority households, and to revitalize and stabilize communities.

The total grant allocation for this program for FY 05-06 is \$54,792. There were four applications for this program, totaling \$265,000. The Housing Trust Fund and the Mayor both recommended to fund three of the four. The program not funded was the Salt Lake Community Development Corporation.

## **➤ BACKGROUND**

The annual appropriations of CDBG, ESG, HOME, HOPWA, and now ADDI 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, Louis Zunguze, Luann Clark, Greg Johnson, Sandi Marler, Karen Wiley, Steve Fawcett and Gordon Hoskins

File Location: Budget/06 Budget