

**Overview and Initial Issues Identification
Department of Housing and Economic Development**

Staff: Traci Ratzliff

Date Prepared: October 19, 2011

Expenditures/Revenues

	2012 Endorsed Budget	2012 Proposed Budget
Expenditures by BCL		
CDBG - Housing and Economic Development 17810 Budget Control Level	N/A	\$6,051,250
Low Income Housing 16400 Budget Control Level	N/A	\$34,052,774
Housing and Economic Development 16600 Budget Control Level	N/A	\$10,345,675
Total Expenditures	N/A	\$50,449,700
Total FTEs	N/A	61.50
Revenues		
General Subfund	N/A	\$5,877,584
Other Revenue Sources	N/A	\$45,331,657
Use of Fund Balance	N/A	(759,541)
Total Revenues	N/A	\$50,449,700

Introduction:

The Mayor's 2012 Proposed Budget combines the Office of Housing (OH) and Office of Economic Development (OED) into a new department called the Department of Housing and Economic Development (HED). This merger results in total savings in 2012 of \$338,000 and an estimated \$418,000 in 2013 and beyond. \$255,000 of the savings are generated from the elimination of 3 positions in the OH: the Director of OH (position funding ending in June 2012); the Public Information Officer, and the Administrative Assistant to the Director (both eliminated January 1, 2012). All of these positions are currently filled. \$210,000 of the savings in 2012 are proposed to be used for the Multifamily Rental Production program which is experiencing cuts in Community Development Block Grant (\$683,000) and HOME (\$214,656) funding in 2012. This leaves a net general fund savings of \$82,500 from the consolidation. The Mayor's rationale for the proposed merger is to generate managerial and administrative savings, and align access to affordable housing and job creation – two elements of growing health communities, in one Department. In addition, it supports the consolidation of grant funding in Department of Neighborhood's new Community Granting Division, and centralizes the work associated with the South Park Action Agenda and Special Events in the Business Services division of HED. Legislation has been forwarded to Council that would create the new department and eliminate the Office of Housing and Office of Economic Development in the Seattle Municipal Code.

Additional reductions unrelated to the consolidation that are included in the 2012 proposed budget are as follows: \$50,000 in funding for the Seattle/King County Convention and Visitors Bureau; \$31,000 in funding for the Business Services program; \$15,000 in professional services support in the Office of Film and Music; and \$50,000 in travel and training, advertising, printing and copying, and other expenses in OH.

Additional staffing changes are also included in the proposed 2012 budget for HED:

- Two Special Events staff from the Department of Parks are transferred to the Business Services Division of HED. This staff will work on improving and simplifying the special events permitting process; helping organizations hosting such events to maximize the promotion and marketing of such events to derive greater economic benefit from such events; and helping organizations hosting special events to work together with other such organizations to better utilize and share resources and knowledge about hosting special events and seeking funding for such events.
- A Department of Neighborhoods (DON) position is transferred to the Business Services division in HED to implement the South Park Action Agenda. The DON staff person has been working in OED in 2011 on this effort, which will continue in 2012, and will also provide additional capacity in neighborhood business district development, including Business Improvement Areas.
- The OED staff person who works on the Only in Seattle grant program will move to the new Community Granting division in the DON. Contract writing and monitoring work will be done by staff in the new Community Granting division. Funding for the Only in Seattle Program and decision making about who is awarded funding remain in HED. (Note: the overall discussion of the “grant consolidation” proposal will occur in the context of the DON budget.)

Identified Issues:

Staff has reviewed the proposed merger and has identified the following issues:

- 1) The merger as proposed identifies limited General Fund savings. Staff efficiencies in the OH and OED can be realized in several areas (finance, accounting, communications, human resources, information technology) without merging the two offices and can potentially generate more savings than the proposed merger. Initial estimates suggest that such efficiencies can produce savings of more than \$300,000 per year.
- 2) Merging the two Offices runs the risk of reducing Housing Program and Policy expertise and leadership and reducing capacity in the Economic and Business Development Program and Policy arena, as the new Director, with limited Housing Policy and Program experience will be required to split his time between Economic & Business Development and Housing.
- 3) The merger of OH and OED may not be sufficient, nor necessarily effective, in forging greater City coordination in geographically focused community and economic development:
 - As a result of a Council initiated re-organization in 2009, OED’s resources and staff were focused on the key policy areas of workforce development; business and neighborhood business district support; and film & music industry promotion. OED’s staff and resources, as they relate to community development efforts, are limited.
 - OH is already involved in community development. OH resources (funding and programs) are used for the development of housing serving the homeless to those at 100% of median income. Development of housing frequently serves as a catalyst for revitalization, particularly in distressed areas. Southeast Seattle and Cascade/South Lake Union are two recent examples of this. OH is already involved in many of the City’s targeted community development efforts (Yesler Terrace, Broadway, Transit Oriented Development) because such efforts usually involve

a housing component.

- Successful community development work involves other key departments, including the Department of Planning and Development, Parks, Seattle Department of Transportation, and the Department of Neighborhoods. All of these departments have staff and resources that should be and frequently are brought together for focused development of key areas in the City. Under any organization or re-organization, these departments will also have to be involved if community development is to be successful.
- Cross department collaboration between the OH and OED as well as the other City Departments (DPD, SDOT, Parks, DON) involved in community development work has successfully occurred through the use of Interdepartmental Teams (IDT's). IDT's as well as convening city department heads on a regular basis to set priorities for community development are two mechanisms the Executive recommended in the August 2010 Statement of Legislation Intent on how to carry out successful coordinated community development efforts across city departments.

Options:

- 1) Develop an alternative proposal that achieves staff efficiencies and generates General Fund savings but does not merge the Office of Housing and the Office of Economic Development. Staff will develop a proposal for consideration in Round 1.