



City of Seattle
Human Services Department

DATE: August 4, 2011

TO: Housing, Human Services, Health and Culture Committee
Councilmember Nick Licata, Chair
Councilmember Sally Clark
Councilmember Tom Rasmussen

FROM: Dannette R. Smith
Director

Michael Look
CDBG Administrator

SUBJECT: 2011 Substantial Amendment to the Consolidated Plan

At your August 10th meeting, staff from the Community Development Block Grant Administration Unit of the Human Services Department will brief you on legislation regarding the 2011 funding amounts for the following federal programs:

- Community Development Block Grant (CDBG)
- HOME Investment Partnership
- Emergency Solutions Grant Program (ESG)
- Housing Opportunities for Persons with AIDS (HOPWA)

Collectively these four programs are known as the Consolidated Plan funds and their uses are governed by the City's 2009 – 2012 Consolidated Plan for Housing and Community Development. The legislation amends the Consolidated Plan and the adopted budgets for the Human Services Department, the Office of Housing, and the Office of Economic Development to match the actual awards from the federal government. The proposed Council Bill also makes clarifying and efficiency amendments to the housing policies in the Consolidated Plan (Attachment 2 to the proposed Bill).

The federal government engaged in protracted budget discussions late in 2010 and through the first quarter of 2011. The resulting budget for the 2011 Consolidated Plan funds, most especially for the CDBG program, was dramatically lower than anticipated when the City Council adopted the 2011 Operating Budget in November of last year. Below is a table showing the 2011 Adopted budget, the actual award amount and the difference between the two.

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Program	2011 Adopted Budget	2011 Actual Award	Difference
Community Development Block Grant	\$13,058,449	\$10,729,471	(\$2,328,978)*
HOME	\$4,384,736	\$4,065,901	(\$318,835)
Emergency Solutions Grant	\$529,082	\$529,053	(\$29)
HOPWA	\$1,812,710	\$1,809,798	(\$11,912)

*This difference is mitigated somewhat by an additional \$194,149 of CDBG program income and fund balance that has since become available for program year 2011.

The proposed Council Bill and Attachment 1 to the Council Bill detail our response to these decreases. The attachments to this memorandum provide a crosswalk of the changes for the CDBG (Attachment A) and HOME (Attachment B) programs. The slight decrease in the ESG program will be taken out of ESG Administration, and the HOPWA decrease will be realized in the next HOPWA request for investments process.

The Mayor proposed reductions in CDBG funding that would minimize the impact on service delivery. For CDBG, the Mayor proposes to:

1. Reduce expenditures out of the CDBG fund to support homeless services in compliance with CDBG regulation restricting public services spending and backfill the entire CDBG reduction with the General Fund, resulting in no net loss of services. During the 2011 mid-year reduction exercise the Mayor set aside funding to use as backfill for the CDBG homeless services programs requiring funding reductions. For this reason there is adequate funding available to continue to support the public service programs.;
2. Decrease administrative costs;
3. Reduce capital expenditures for affordable multifamily housing;
4. Delay part of the 2011 payment due to the Rainier Valley Community Development Fund until 2013. There will be no impact to the RVCDF's delivery of services and execution of loans due to this payment deferral. The total funding commitment from the City remains the same. (The proposal Bill also amends to agreement between the City and Sound Transit to allow for this delay to happen. The Rainier Valley Community Development Fund has agreed to this change to minimize the impacts to other important services and programs.)

The HOME reduction will be distributed to a homebuyer assistance program, affordable housing capital projects, and administration. The ESG reduction will be absorbed by administrative reductions and the HOPWA reduction will be realized in the next competitive round for HOPWA-funded projects. All of these reduction proposals are consistent with the adopted allocation guidelines found in the 2009 – 2012 Consolidated Plan for Housing and Community Development, which call for reductions to be taken out of administration and capital projects while preserving as much as possible public services and operational support funding.

Michael Look from the CDBG Administration Unit in HSD and staff from the Office of Housing and the Office of Economic Development will be available at your August 10th meeting to discuss these changes and answer your questions.

Attachment A

Community Development Block Grant 2011 Rebalancing Package

13,640,759	2011 Endorsed CDBG Budget*
60,000	Increased dedicated OH Program Income
<u>(2,141,248)</u>	<u>2011 CDBG Budget Reduction Total</u>
11,559,511	2011 Revised Budget *

*Note: Includes Program Income

Summary of Accepted Reductions by Spending Cap	
(712,889)	Public Services Cap Gap (36% of award + 15% PI)
(713,000)	Public Services CDBG Funding Reductions Proposed
(80,243)	Admin/Planning Cap Gap (20% of award)
(178,248)	Admin/Planning CDBG Funding Reductions Proposed

Type	Dept	Title and Summary	Description	2011 Endorsed	Proposed Reduction	2011 Revised	GF Backfill?	Rationale
Program	OED	Defer CDBG Support to RVCDF	The RVCDF board agreed to deferring \$1 million of \$4.2 million CDBG commitment in 2011 to 2013.	4,230,000	(1,000,000)	3,230,000	-	No impact on services. RVCDF reserves are sufficient to maintain 2011 activity levels
Program	OH	Multi Family Capital Funding Reduction	Reduce MF Rental Production Program funding by \$250,000, resulting in approximately 10 fewer affordable housing units each year.	1,194,662	(250,000)	944,662	-	Impact mitigated due to Levy's \$5.8M increase over 2009, in a program with total 2011 funding of \$19M. Also mitigated by increase of \$60k in program income.
Public Services	HSD	Reduce CDBG Support for Public Services	<u>Day Center Reduction:</u> Cuts CDBG funding by 50%. Day centers provide a place for homeless people to rest and receive information and referral services and other direct services during daytime hours.	3,930,031	(267,707)	3,199,563	267,707	No impact on services - GF backfill of \$267,707.
			<u>Emergency Shelter Reduction:</u> Represents a 16% reduction in CDBG funding for shelters and a 7% reduction to the \$6.7M overall shelter budget.		(445,293)		445,293	No impact on services - GF backfill of \$445,293.
			<u>Indirect Administrative Overhead:</u> HSD charges all contracts a 2.45% indirect overhead charge.		(17,468)		17,468	No impact on services - GF backfill for indirect admin.
Admin/Planning	HSD	Miscellaneous Admin Reductions	Eliminate non-essential line item expenditures from CDBG Administration and Community Facilities.	1,231,871	(19,402)	1,117,865	-	No service delivery impact.

Admin/ Planning	HSD	Community Facilities Temporary Support	Eliminate funding for 2011 for temporary staffing assistance in the Community Facilities program. CDBG Admin will use existing staff for this work which may delay completion of record-keeping work.		(62,271)		- No service delivery impact.
Admin/ Planning	HSD	Reduce Projects and Funding Agreement Coordinators	Reduce funding for the two CDBG Eligibility Specialists in HSD from 1.0 to 0.8 FTE. A reduction in the amount of CDBG funding, coupled with a reduced number of CDBG projects, makes this reduction in staffing ability possible. This reduction will, however, decrease our ability to provide assistance on federal regulations to CDBG-funded agencies.		(32,333)		- No impact on services - reduced HSD-CDBG staffing levels in keeping with reduced CDBG funded contracts
Admin/ Planning	OH	Program Development Admin Reduction	Reduce funding for OH's Strategic Planning staff which develops of housing policy and conducts HUD required reporting, such as the development of the consolidated plan, the Analysis of Impediments to Fair Housing, and the CAPER.	(46,774)	(46,774)		- No impact on service - backfill with one-time OH salary savings in 2011.
Total					(2,141,248)		730,468

Attachment B

HOME 2011 Rebalancing Package

5,384,736 2011 Endorsed HOME Budget*
 (318,835) 2011 HOME Budget Reduction Total (includes PI)**
5,065,901 2011 Revised Budget (Award amount totaled \$4,065,901)*

*Note: Includes Program Income

Type	Dept	Title and Summary	Description	2011 Endorsed	Proposed Reduction	2011 Revised	GF Backfill?	Rationale
Program	OH	Homebuyer Programs	Reduce allocation for eligible homebuyer activities, resulting in 2 less home purchases.	\$1,494,239	(72,296)	\$1,421,943		
Program	OH	Multi Family Capital Funding Reduction	Reduce MF Rental Production Program funding by \$214,656; combined with CDBG decrease, results in approximately 10 fewer units.	\$3,452,024	(214,656)	\$3,237,368		
Administration	OH	HOME Administration	Reduce funding for administration of HOME program	\$438,473	(31,883)	\$406,590		No impact on service delivery
Total					(318,835)			