



**TO:** T.C. Broadnax, City Manager  
**FROM:** Carey K. Jenkins, Housing Division Manager, Community and Economic Development  
**COPY:** City Council and City Clerk  
**SUBJECT:** 2-Year Funding Priorities for HUD Funds – December 3, 2013  
**DATE:** November 19, 2013

**SUMMARY:**

The purpose of this memo is to present bi-annual funding priority recommendations for the City’s allocation of Federal housing, economic development and social services funds received from the U.S. Department of Housing and Urban Development (HUD). These funds consist of three core programs: (1) Community Development Block Grant (CDBG); (2) HOME Investment Partnership Program (HOME); and (3) Emergency Solutions Grant (ESG). The overall allocation of federal resources to address community needs is prioritized, in part, through a bi-annual funding priorities process approved by the Tacoma City Council (Council) prior to the start of the application process with community based service providers, developers, program administrators and other interested parties that rely on these funds to implement their community based programs and/or activities.

**BACKGROUND:**

This particular 2-year funding cycle comes during the final year of the current 5-year Consolidated Plan period. As a result, it is the recommendation of staff to complete existing priorities and objectives identified in the existing 2-year priorities list. As the new 5-Year Consolidated Plan process is set in motion, a detailed review of community needs will be undertaken. Assessment of these needs will be documented in the new 5-Year Plan and presented to the Council for consideration. It is expected the preparation of the new 5-Year Plan process will commence in the spring of 2014. To this end, the Funding Priorities previously approved by Council are recommended to be continued over the next two years. This would incorporate Program Year 2014-15 and Program Year 2015-16 and would provide adequate time for the identification of new priorities and objectives through the upcoming Consolidated Plan process. Furthermore, it would give existing service providers adequate time to complete program activities and address current community needs.

The existing Funding Priorities are organized into six categories: (1) General; (2) Set-asides; (3) Housing; (4) Community Development; (5) Economic Development; and (6) Human Services. It is the recommendation of staff to maintain these six priorities and carry them into the upcoming 2-Year funding cycle. Each of the categories is briefly summarized as follows:

1. **General Priorities** (CDBG and HOME) – Funds will be used to support activities that: (a) are consistent with existing plans (e.g. Consolidated Plan, Comprehensive Plan, Human Services Strategic Plan); (b) leverage other funding resources when applicable; (c) the funds can be committed within 12 to 24 months; (d) the project is proposed by an organization with a proven capacity for project completion and good management; (e) shows reasonable cost effectiveness; and (f) there is no General Fund monies needed for project operation and maintenance.
2. **Set-Aside Priorities** – Set aside amounts from the annual CDBG grant: (a) 50% for housing development & rehabilitation; (b) 15% (HUD Maximum) to support human services; and (c) up to \$100,000 for community development (neighborhood improvement projects such as LID



assistance, sidewalk repair or replacement, and innovative grants). In past funding cycles the City had allocated up to \$25,000 in contingency for unanticipated capital project costs. This has been a source of concern for HUD given their interpretation of the contingency is an unallocated balance. As a result the contingency line item is no longer allowed; this according to the HUD monitor of the Tacoma grant allocation.

3. **Housing Priorities** (CDBG and HOME) – The priorities for housing activities are: (a) homeownership programs that benefit low-income owners with repairs and rehabilitation; (b) programs that assist first-time homebuyers to purchase a home; (c) maintaining and expanding affordable rentals housing for families and the elderly; and (d) provide supportive housing for homeless and/or special needs individuals and families that may include emergency and transitional shelters, and special needs housing with support services. In furtherance of these efforts, maintain minimum funding levels for the City’s low-income housing programs: home owner occupied Neighborhood Preservation Program which includes single family rehabilitation and energy improvements (CDBG \$500,000) and Emergency Major Home Repair (CDBG \$150,000); and Down Payment Assistance for first time home buyers (HOME \$250,000);
4. **Community Development Priorities** (CDBG only) – The priorities for Community Development are activities that support neighborhood improvements for lower income residents such as; (a) payment of LID assessments for lower income homeowners; (b) street-related improvements such as sidewalk repair or replacement in lower income neighborhoods; (c) eligible neighborhood innovative grant projects; and (d) public facilities.
5. **Economic Development Priorities** (CDBG only) – The priorities for economic Development are activities that help increase jobs and business opportunities such as: (a) creation or retention of jobs for lower income persons; (b) business services that support lower income neighborhood and/or lower income groups; and (c) financial and technical assistance for disadvantaged persons who own or plan to start a business; (d) revitalization of blighted or lower income business districts through historic preservation, conservation actions and neighborhood economic development.
6. **Human Services Priorities** (CDBG and ESG) – In 2011, human services funding priorities were updated to align with federal HEARTH legislation and respond to changes in ESG regulations. CDBG funds remained targeted towards low and moderate income persons, with a new emphasis on stabilization services that would support individuals and families to move towards housing and economic stability. A category for youth stabilization services was added to reflect the local priority to provide services to unaccompanied youth who are at risk for or currently experiencing homelessness. ESG funds were re-focused on HUD’s new categories of eligible activities, including rapid re-housing. The priorities for human services supported with CDBG and ESG funds are identified below.

#### CDBG

CDBG funds will only be used for programs which target lower income Tacoma residents, provide stabilization services, and address one of the Funding Priorities listed below. The three funding priorities are of equal importance.



- Housing Stabilization Services: Housing and homelessness prevention services for individuals and families at risk of or currently experiencing homelessness, including tailored services that will lead residents toward more stable housing.
- Economic Stabilization Services: Services that have a direct connection to increasing the economic stability of lower income Tacoma residents, including increased economic opportunity (e.g. through pre-employment training or job placement).
- Youth Emergency Stabilization Services: Housing and intervention/prevention services for unaccompanied youth, up to (and including) age 24, who are at risk of or currently experiencing homelessness.

### ESG

ESG funds will be used for programs which support individuals and families who are experiencing or at risk of experiencing homelessness, as defined by the Department of Housing and Urban Development. Ten percent of the grant will be reserved for expenses related to administration of the grant and reporting through the local Homelessness Management Information System (HMIS). The remainder of the funds will be used for the following components:

- Street Outreach: Services related to reaching out to unsheltered homeless individuals and families and connecting them with emergency shelter, housing, or critical services.
- Emergency Shelter: Operations and essential services associated with provision of emergency shelter to homeless individuals and families.
- Rapid Re-housing: Rental assistance and stabilization services to help individuals and families who are literally homeless into permanent housing and stability.
- Homelessness Prevention: Rental assistance and stabilization services to prevent individuals and families who are at risk of homelessness from losing their housing.

### **ISSUE:**

At issue is the TCRA review of the City's 2-Year Funding Priorities of CDBG and HOME funds. While mentioned in this report, the ESG funds are administered by the City's Neighborhoods and Community Services Department with oversight provided by the Human Services Commission. Also at issue is the opportunity for public comment to be received on the proposed 2-Year Funding Priorities. Public notices were published on October 4, 2013, and October 18, 2013 in The News Tribune Newspaper specifying the date and time for members of the public to come and provide such comments to the TCRA and HSC.

On October 24, 2013 the Tacoma Community Redevelopment Authority (TCRA) were presented with the funding priorities and heard public comment on them. The TCRA voted to implement the recommendations into the PY 2014-15 Annual Action Plan. This will also provide staff a transitional path for developing and implementing the 5-Year Consolidated Plan. On October 9, 2013, the Human Services Commission (HSC) reviewed funding priorities for human services and received public comment on them. The HSC voted to recommend the existing funding priorities to Council for the 2014-



15 Annual Action Plan and use them in the upcoming biennial application process for CDBG and ESG funding.

On December 3<sup>rd</sup>, Council will be asked to approve these funding priorities at its regularly scheduled Council meeting.

In addition, as a separate item, Council will be asked to approve an amended Citizen Participation Plan (CPP). The CPP is a required planning component of the Consolidated Plan process. The CPP, last amended in 2005, is being updated to include a section for Limited English Proficiency Residents, as well as address minimal regulatory requirements, and update the names of a federal grant and City department.

**ALTERNATIVES:**

The alternatives presented in this report constitute one course of action.

It is based on staff's assessment of the progress made on addressing the current 2-Year Funding Priorities and the need to continue with these Funding Priorities through the current HUD mandated Consolidated Plan cycle.

However, other options do exist. This would include, but is not limited to, changing the funding mix within the CDBG funding priorities such as allocating more (or less) of the CDBG grant to housing related activities. Presently, this allocation is 50% of the CDBG annual allocation. Other options could involve changes to economic development priorities by emphasizing a preference for service providers that have capabilities that go beyond entrepreneurial training. Other options could be to place greater emphasis on public improvements and infrastructure projects that would benefit lower-income communities. Note: Changes of this nature would require a more intensive staff review of possible alternatives which would likely have an adverse impact on the delivery of the final Annual Action Plan under the current 2010-15 Consolidated Plan. The final Annual Action Plan is due to HUD in the spring of 2014. Furthermore, other alternatives of this magnitude might conflict with the existing Consolidated Plan and would have to be approved by HUD. It is therefore suggested that any alternatives such as these should be pursued in the upcoming Consolidated Plan process and that the existing 2-Year Funding Priorities be allowed to carry forward into the new funding cycle that is being contemplated as a function of this report.

**RECOMMENDATION:**

Implementing the recommendations identified in this report will allow staff to have a clear set of parameters on implementing the PY 2014-15 Annual Action Plan and result in the final Action Plan under the current HUD mandated 2010-2015 Consolidated Plan. It would also provide a transitional path for staff as the new 5-Year Consolidated Plan is developed and implemented.

**FISCAL IMPACT:**

There is no impact to the City's General Fund as a result of this action. Ultimate approval by the Council will provide the foundation for staff to make funding and program recommendations once HUD identifies its allocation amounts available to the City for CDBG, HOME and ESG funds. Specific funding amounts should be made available by HUD in the spring of 2014 and would be presented to the Council for consideration at that time.



**EXPENDITURES:**

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
N/A			
<b>TOTAL</b>			

\* General Fund: Include Department

**REVENUES:**

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
N/A			
<b>TOTAL</b>			

**POTENTIAL POSITION IMPACT:**

POSITION TITLE	PERMANENT/ PROJECT TEMPORARY POSITION	FTE IMPACT	POSITION END DATE
N/A			
<b>TOTAL</b>			

*This section should only be completed if a subsequent request will be made to increase or decrease the current position count.*

**FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: N/A**

**ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? N/A**

**IF EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED.**