



TO: Elizabeth Pauli, City Manager
FROM: Jeff Robinson, Director, Community and Economic Development (CED)
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COPY: Community Vitality and Safety Committee; Joe Franco, Staff Liaison
PRESENTER: Felicia Medlen, Housing Division Manager, CED
SUBJECT: 2023 Annual Action Plan for Housing and Urban Development (HUD) Grant Programs
DATE: March 9, 2023

PRESENTATION TYPE:

[Request for Resolution](#)

SUMMARY:

The purpose of this memo is to provide the Community Vitality and Safety Committee (Committee) an opportunity to review and comment on funding recommendations and planned activities for the City's HUD grant program year 2023 (PY 2023), beginning July 1, 2023, and ending June 30, 2024. Funding recommendations and/or planned activities for the City's Community Development Block Grant (CDBG), HOME Investment Partnership Program (HOME), and Emergency Solutions Grant (ESG) are included in this memo. This memo also serves to inform the Committee about CDBG and HOME subrecipient agreements to be executed between the City, the Tacoma Community Redevelopment Authority (TCRA), Lakewood, and individual contractors for PY 2023.

The Department of Housing and Urban Development (HUD) is anticipated to allocate the following grant amounts to the City of Tacoma for PY 2023:

- CDBG: \$2,389,216
- ESG: \$209,851
- HOME: \$1,494,568

The grant amounts listed above are only estimates until HUD releases the entitlement allocations for the upcoming program year. Once the Federal Government has adopted a budget, HUD has 60 days to release the entitlement allocations. Final adjustments will be made to the City's Annual Action Plan (Plan) document when actual allocations are made available.

This Plan must be submitted to HUD no later than May 15, 2023, in order for the City to receive its entitlement funding. Recommendations for CDBG Community and Economic Development projects are made by the TCRA. Recommendations for CDBG Public Services and ESG projects are made by Neighborhood & Community Services (NCS) staff with input from the Human Services Commission (HSC) and the Tacoma/Lakewood/Pierce County Continuum of Care (CoC).

The Plan also allocates HOME funds to be administered by the TCRA in support of Affordable Housing projects. Projects are identified in early spring during a competitive notice of funding availability (NOFA) led by the TCRA.

**BACKGROUND:**CONSOLIDATED PLANNING

As a participating jurisdiction in HUD Community Planning and Development entitlement programs, the City of Tacoma implements the Consolidated Planning process for the Tacoma-Lakewood HOME Consortium. The five-year cycle begins with the development of a Consolidated Plan. The 2020-2024 Consolidated Plan provides the current framework for addressing housing, public services, and community and economic development needs in Tacoma. Yearly Annual Action Plans (AAPs) serve as administrative plans to ensure that annual spending decisions are furthering progress towards meeting the needs identified in the Consolidated Plan. Progress is measured and submitted to HUD at the end of the program year in the Consolidated Annual Performance and Evaluation Report (CAPER).

As part of the Annual Action Planning process, the City is tasked by HUD with determining local funding allocations and service delivery activities for the CDBG, HOME and ESG programs for the upcoming program year, which occurs between July 1st and June 30th.

ANNUAL FUNDING RECOMMENDATIONS

HOME funds and a portion of CDBG funds are allocated by the City through two annual competitive funding opportunities managed by the Housing Division of the Community and Economic Development Department. The CDBG Community and Economic Development NOFA process, which allocates a portion of CDBG funds to minor capital projects, home repair, and microenterprise assistance, coincides with the Annual Action Planning process. An Affordable Housing NOFA process in the spring lays out larger scale housing projects and activities that are incorporated into the Plan at that time.

The TCRA is an independent, non-profit public development authority. TCRA members are appointed by the City Council and have the responsibility for reviewing and recommending programs that meet the CDBG and HOME Investment Partnership priorities related to housing and community and economic development initiatives. Individual service provider recommendations are based on the examination of each application received, review of past performance, availability of funding and applicable interviews conducted.

The HOME allocation is administered within a HUD-approved consortium whose members include the cities of Tacoma and Lakewood. Oversight of all HOME activities is conducted by the TCRA. The HOME funds are used primarily for permanent affordable rental housing and affordable homeownership. These projects are coordinated through a network of non-profit and for-profit developers and local service providers.

The NCS Department developed the spending plan for ESG and CDBG Public Services funds. Funding recommendations were reviewed and approved by the HSC and were presented to the CoC. Recommended activities are aligned with Council priorities as well as HUD-eligible services. Specifically, ESG funds can be used for the following program components: street outreach, emergency shelter, homelessness prevention, and rapid re-housing. There is a cap on street outreach and emergency shelter; no more than 60% of the total annual HUD allocation may be used for any combination of these two categories.

**PROPOSED SPENDING PLAN FOR 2023 CDBG, ESG, AND HOME PROGRAMS***CDBG*

Of the anticipated CDBG grant allocation of \$2,389,216, 20% (\$477,843) is set aside for administrative purposes correlating with the management of the City's CDBG program. Over 50% (\$1,252,990) is proposed for housing assistance and just over 10% (\$300,000) is to be allocated to fund economic development activities. Recommended allocations are presented in Table 1. Allocations are consistent with Council priorities and HUD eligibility requirements.

TABLE 1: COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)

Total Available 2023	\$2,389,216
Uses:	
Administration (20% cap)	\$477,843
Public Service Grants (15% cap)	\$358,382
Housing Assistance Programs	\$1,252,990
Economic Development	\$300,000
Total Uses	\$2,389,216

CDBG Community and Economic Development NOFA

The CDBG Community and Economic Development (CED) NOFA for PY 2023 was released on October 19, 2022, to identify projects that will receive funds allocated for Housing Assistance and Economic Development. The notice and instructions for accessing the application were published in both the Tacoma News Tribune and the Tacoma Daily Index, advertised in a City of Tacoma news release, posted on the City's website, and emailed to all projects funded in the current program year and those listed on an interested parties list, for which members of the public can register by contacting the [City of Tacoma Housing Division](#) anytime throughout the year.

The application period closed on November 29, 2022. In total, seven (7) applications were received. Two (2) applicants proposed housing assistance activities, and five (5) applicants proposed economic development microenterprise assistance activities. Staff screened each application to confirm its general eligibility under federal program requirements. One of the three economic development microenterprise assistance applications was subsequently withdrawn by the applicant.

Additionally, staff reviewers independently rated all six (6) applications. Ratings are based on each project's alignment with City Council funding priorities and other considerations such as cost effectiveness, program need, the project's ability to leverage CDBG funds, past performance, collaboration efforts, staff capacity, fiscal responsibility, and completeness of the application.

*TCRA Funding Recommendations*

Following staff review, eligible applications and staff ratings are presented to the TCRA. Based on anticipated funding levels, a total of \$872,680 in CDBG funds are being made available for award to Community and Economic Development programs. Of this amount, the TCRA recommends \$572,680 for housing assistance projects and \$300,000 for economic development activities. If the allocation approved in the upcoming Congressional budget differs from anticipated funding levels, the amounts will be adjusted as described in Table 2. If approved through the Plan, the projects and amounts in Table 2 will be funded beginning July 1, 2023.

TABLE 2: TCRA RECOMMENDATIONS FOR CDBG HOUSING PROGRAMS AND ECONOMIC DEVELOPMENT FUNDS

Organization	Program	Estimated Amount
Rebuilding Together South Sound (RTSS)	Community Revitalization Partnership	\$508,680
Associated Ministries of Tacoma-Pierce County	Paint Tacoma Beautiful	\$64,000
Tacoma Pierce County Chamber of Commerce	Spaceworks Tacoma	\$140,000
Urban Business Support	Urban Business Support	\$70,000
Kay Tita	Digital Sales Access Program	\$90,000
	Total	\$872,680
<p>Once the CDBG allocation for PY2023 is released by HUD, the following adjustments will be made if needed:</p> <ul style="list-style-type: none">• If the allocation is greater than the estimated amount – Add additional funds to the RTSS project up to their full request of \$572,000, after updating the Administration (20%) and Public Services (15%) allocations. Any remaining funds will be added to the City/TCRA Single Family Rehab (SFR) Program.• If the award is less than the estimated amount – Reduce funds from the RTSS project to no lower than their funding request of \$500,000, after updating the Administration (20%) and Public Services (15%) allocations. Any remaining reductions needed will be made from the City/TCRA SFR Program.		

CDBG Public Services

Fifteen percent (\$358,382) of CDBG funds are allocated for public service programs, which represents the maximum percentage of CDBG funds allowed by HUD for this use. Recommendations are reviewed and approved by the HSC and reviewed by the CoC before they are presented to City Council for final action and submitted to HUD as part of the 2023 Annual Action Plan. Programs to be funded are outlined in Table 3.

TABLE 3: HSC RECOMMENDATIONS FOR CDBG PUBLIC SERVICES FUNDS

Program	Estimated Amount
Temporary and/or Inclement Weather Shelter	\$358,382
Total	\$358,382

*ESG*

Of the \$209,851 ESG grant allocation, an Administration cap (for City staff costs) is set at 7.5% (\$15,738). 2.5% (\$5,246) is proposed for staff oversight of the Homeless Management Information System (HMIS), a localized information system used to collect client-level data and service provision activities. The remaining funds (\$188,867) are to be allocated for external contracts. Recommended allocations for external contracts are presented in Table 5. Recommendations are reviewed and approved by the HSC and the CoC before they are presented to City Council for final action and submitted to HUD as part of the 2023 Annual Action Plan. Recommended activities are consistent with Council priorities and HUD-eligible activities.

TABLE 4: EMERGENCY SOLUTIONS GRANT (ESG)

Total Available 2023		\$209,851
Uses:		
Administration (7.5% cap)	7.5%	\$15,738
HMIS Operations (2.5% cap)	2.5%	\$5,246
External Contracts	90%	\$188,867
Total Uses 2023	100%	\$209,851

TABLE 5: HSC RECOMMENDATIONS FOR ESG FUNDING (EXTERNAL CONTRACTS)

Program	Estimated Amount
Temporary and/or Inclement Weather Shelter	\$125,910
Rapid Re-Housing	\$62,957
Total	\$188,867

HOME

Of the HOME grant allocation of \$1,494,568, an Administration cap is set at 10% (\$149,456). The remaining 90% (\$1,345,112) is proposed for City of Tacoma Housing Programs and the City of Lakewood. Recommended allocations are presented in Table 6.

TABLE 6: HOME INVESTMENT PARTNERSHIP (HOME)

Total Available 2023		\$1,494,568
Uses:		
Administration (10% cap)	10%	\$149,456
Housing Programs	69%	\$1,035,736
City of Lakewood (estimate)	21%	\$309,376
Total Uses	100%	\$1,494,568



Through the Annual Action Plan process, HOME funds are allocated by the City Council to the TCRA for oversight. Each program year, the TCRA leads a competitive process to identify HOME-funded programs in support of permanent affordable rental housing, affordable homeownership housing, and down payment assistance.

SUBRECIPIENT AGREEMENTS

City staff will request authority from the City Council to enter into three (3) subrecipient agreement(s) with the TCRA and up to twenty (20) subrecipient agreement(s) with individual contractor(s). These agreements will include PY 2023 CDBG, HOME, and ESG grant funds and support housing, community and economic development, and public service activities.

Staff will also request that City Council authorize staff to increase or decrease the final funding amounts and related agreements as necessary upon receiving final PY 2023 funding award amounts and participating consortium members annual percentage breakdown from HUD.

ISSUE:

At issue is the Committee's comment on the 2023 Annual Action Plan Executive Summary. Each year at this time, the City is tasked with developing a spending plan for its CDBG, HOME, and ESG allocations and determining service delivery activities as prescribed by the Department of Housing and Urban Development (HUD). Staff requests the Committee's approval to present the Plan to the Tacoma City Council at Study Session on April 4, 2023, before seeking final action on May 2, 2023.

ALTERNATIVES:

The alternatives presented in this report are based on review and analysis of each application for funding and staff's best judgement of program activities that will lead to the preferred outcome as established in the 2023 Annual Action Plan, which will be submitted to HUD for review and approval on or before May 15, 2023. Other options could include, but are not limited to, changing the funding mix between activities or between individual service providers. Further alternatives might include revamping the way these services are procured and the types of activities the City wishes to pursue. Changes of this nature would require intensive staff review and would likely jeopardize the HUD-imposed deadline of May 15, 2023, for submittal of the Annual Action Plan. It is suggested that any alternatives such as these be pursued after the May 15th date and rolled into a current year plan amendment or addressed in future years' program activities.

FISCAL IMPACT:

As a result of taking the recommended actions, the City will receive an estimated \$4,093,635 in new federal HUD funds to manage its housing, community and economic development, homeless assistance, and public service programs. These funds will not only be used to pay for the direct cost of providing these programs and services but will also pay a portion of personnel costs for City staff responsible for managing the City's CDBG, HOME, and ESG programs.



RECOMMENDATION:

Implementing the recommendations identified in this report will direct staff to complete the Annual Action Plan process with HUD, allowing the City to draw down funds to be used to address its housing, community and economic development, homeless assistance, and public service programs. A total of \$3,913,635 will be made available to the City as a result of these actions.

ATTACHMENT:

Draft 2023 Tacoma Lakewood HOME Consortium Annual Action Plan Executive Summary