



TO: Elizabeth Pauli, City Manager
FROM: Kim Bedier, Acting Director, Community and Economic Development Dept.
Linda Stewart, Director, Neighborhood and Community Services Department
COPY: Community Vitality and Safety Committee
PRESENTER: Daniel Murillo, Division Manager, Housing Division
Pamela Duncan, Division Manager, Human Services Division
SUBJECT: PY 2018-19 CDBG, HOME and ESG Funding Recommendations for Annual
Action Plan
DATE: March 22, 2018

PRESENTATION TYPE:

Other

SUMMARY:

The purpose of this memo is to provide the Community Vitality and Safety Committee (Committee) an opportunity to review and comment on Program Year (PY) 2018-19 Community Development Block Grant (CDBG) funding recommendations for housing assistance, economic development, community development and public service projects. In addition, the Committee will review Emergency Solutions Grant (ESG) funding recommendations for homeless services related projects. This memo also serves to inform the Committee about the new CDBG and HOME Investment Partnerships Program (HOME) sub-recipient agreements between the City, Tacoma Community Redevelopment Authority (TCRA), Lakewood and individual contractors.

Staff will present the CDBG, HOME and ESG recommendations to the City Council on May 1, 2018 for incorporation in the PY 2018-19 Annual Action Plan (Plan). The Plan will outline Tacoma's use of these funds in the coming program year.

The Department of Housing and Urban Development (HUD) has not yet notified staff of Tacoma's PY 2018-19 funding award. As such, the following recommendations to the Committee assume the same level of funding provided in PY 2017-18. Specifically, staff expects to receive \$2,242,344 in CDBG; \$202,381 in ESG; and \$964,831 in HOME funds. Over the course of the previous nine funding cycles, the City of Tacoma has experienced an overall trend of decreased or level funding across the CDBG, HOME and ESG programs. *Please see Exhibit A1: City of Tacoma HUD Community Planning and Development Allocations and Exhibit A2: Funding Trend for CDBG, HOME and ESG 2010-2018.*

PY 2018-19 FUNDING AVAILABILITY

Of the estimated new grant allocation of \$2,242,344, 20% (\$448,468) is set aside for administrative purposes correlating with the management of the City's CDBG program. 15% (\$336,352) is allocated for human services related public services. Up to 50% (\$1,121,172) is proposed for housing assistance projects. Staff proposes setting aside \$100,000 for neighborhood projects and public improvements to include infrastructure improvements in low income neighborhoods that are tied to Community and Economic Development Department (CEDD) catalytic projects. Staff proposes the remaining balance of funds (\$236,352) be allocated to fund economic development activities. These allocations are consistent with City Council's Two-Year Funding Priorities that were approved in November 2017. See Exhibit B:



City of Tacoma Community Planning and Development Allocation Summary, for a visual representation of this data.

<u>Activity</u>	<u>Amount</u>
Administration	\$448,468
Public Services	\$336,352
Housing Assistance Projects	\$1,121,172
Neighborhood Projects / Public Improvements	\$100,000
Economic Development Activities	<u>\$236,352</u>
<i>TOTAL</i>	<i>\$2,242,344</i>

In addition, staff anticipates receiving \$964,831 in HOME funds. The TCRA will allocate a portion of those funds through an affordable housing Notice of Funding Availability (NOFA) that is currently anticipated to occur in summer 2018, dependent upon if and when the Washington State Housing Finance Commission releases a second 2018 application for Low Income Housing Tax Credits.

CDBG Notice of Fund Availability (NOFA)

A Notice of Funding Availability for PY 2018-19 Community Development Block Grant services funding was released on December 28, 2017. The notice and instructions for accessing the application were posted in The Tacoma News Tribune, advertised in a City of Tacoma news release, posted on the City's website and e-mailed to all projects funded in the current program year and those listed on an interested parties list.

The application process closed on Jan. 22, 2018. In total, six (6) applications were received. Four (4) applicants proposed housing assistance activities, one (1) applicant proposed economic development assistance, and one (1) applicant proposed improvements to a public facility. Staff screened each application for CDBG funding eligibility and all applications were determined to be eligible for such funds.

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

Following an analysis of the most recent CDBG NOFA, housing division staff has determined \$868,350 is available for award through the NOFA process. Of this amount, \$438,350 is requested for housing assistance projects, \$180,000 is requested for economic development projects, and \$250,000 is requested in public facilities projects. Activities under this NOFA would occur as of July 1, 2018. See Exhibit C: *Housing, Economic Development, and Public Facilities Funds Requested and Program Description* on applicant projects

BACKGROUND:

The TCRA is a 10-member board of citizens appointed by the Council that has the responsibility for reviewing and recommending programs that meet the CDBG and HOME Investment Partnership priorities related to housing, 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 housing and support the TCRA down payment assistance program as well as affordable multi-family and senior housing developments. These projects are coordinated through a network of non-profit and for-profit developers and local service providers. The total estimated HOME allocation for PY 2018-19 is \$964,831 and will be allocated to projects and programs as they are presented to the TCRA.

TCRA Procurement Recap

A NOFA for PY 2018-19 Community Development Block Grant services funding was released on Dec. 28, 2017. The notice and instructions for accessing the application were posted in The Tacoma News Tribune, advertised in a City of Tacoma news release, posted on the City's website and e-mailed to all projects funded in the current program year and those listed on an interested parties list.

The application process closed on January 22, 2018. In total, six (6) applications were received. Four (4) applicants proposed housing assistance activities, one (1) applicant proposed economic development assistance, and one (1) applicant proposed improvements to a public facility. Staff screened each application for CDBG funding eligibility and all applications were determined as eligible for such funds.

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

CEDD CDBG Funding Recommendations

Based on the anticipated funding levels, staff recommends a \$100,000 set aside for public improvements in the form of ADA ramps, sidewalk and/or other capital uses associated with high priority housing and economic development projects.

Staff recommends funding housing assistance projects at the levels identified in Exhibit (C), totaling \$438,350. Staff recommends dedicating the remainder of the CDBG funds to housing assistance projects including \$250,000 to fund public facilities supporting housing (YWCA Affordable Family Housing Project) and an allocation of \$432,822 to the TCRA Affordable Housing Fund in support of other development projects. This amounts to a total of \$1,121,172.

Staff recommends awarding \$180,000 to the Tacoma-Pierce County Chamber's Spaceworks Tacoma program and allocation of the remaining \$56,352 to the TCRA Economic Development Fund in support of economic development activities. The funding would breakdown as follows:



<u>Agency</u>	<u>Activity</u>	<u>Amount</u>
CEDD/ City of Tacoma	Public Improvements	<u>\$100,000</u>
<i>Subtotal</i>		<i>\$100,000</i>
Various	Housing Assistance	\$438,350
YWCA	Public Facilities Supporting Housing	\$250,000
TCRA	Affordable Housing Fund	<u>\$432,822</u>
<i>Subtotal</i>		<i>\$1,121,172</i>
TPCC Spaceworks	Economic Development	\$180,000
TCRA	Economic Development Fund	<u>\$56,352</u>
<i>Subtotal</i>		<i>\$236,352</i>
<i>TOTAL</i>		<i>\$1,457,524</i>

Please see Exhibit D: *Sources and Uses* for more detail on CEDD funding recommendations.

Public Service CDBG and ESG Funding Allocation Recommendations

The Human Services Commission (“HSC”) has the responsibility for recommending to City Council programs that meet the CDBG priorities for public services (i.e. human services). Every two years, the HSC reads and rates applications and recommends programs for CDBG funding. CDBG funds may be allocated to programs that meet one of the Council-adopted strategic priorities of Housing Stabilization Services, Economic Stabilization Services, and Youth Emergency Stabilization services. Programs that are awarded funding enter into annual contracts, with the second year of funding contingent upon funding availability as well as the program’s performance and continued ability to meet a strategic priority.

The responsibility for reviewing ESG proposals and making recommended allocations for funding lies with a special ESG Review Panel. This is due to regulations issued by HUD that require the City to make ESG funding decisions in consultation with the Pierce County Continuum of Care—the local planning body for homeless services. 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 as no more than 60% of the total annual HUD allocation may be used for these two categories.

Applications for 2018-19 funding were made available online on December 11, 2017 and submitted to the City by January 12, 2018. The HSC and ESG Review Panel heard oral presentations from applicants on February 7, 2018 and met on February 21, 2018 to finalize their ratings and make funding allocation recommendations.

The total amount being recommended for CDBG public services is \$336,352 to be distributed across nine (9) programs. The total amount being recommended for homeless services through ESG funding is \$202,381, distributed across nine (9) programs. Details concerning specific service providers and allocation amounts by program activity are provided in the attachments. Please see Exhibit E: PY 2018-19 Public Services Community Development Block Grant Recommendations and Exhibit F: PY 2018-19 Public Services Emergency Solutions Grant Funding Recommendations for more details on Public Services recommendations, respectively. The funding would breakdown as follows:



Funding Source	Amount
CDBG	\$336,352
ESG	\$202,381
TOTAL	\$538,733

Please see Exhibit E and F for the Recommended PY 2018-19 CDBG and ESG Funding Allocations (respectively).

New CDBG and HOME sub-recipient agreements between the City, TCRA, Lakewood and individual contractors

City staff will seek authority from the City Council to enter into three (3) sub-recipient agreements with the TCRA and one (1) sub-recipient agreement with an individual contractor. These four (4) contracts will include the new Community Development Block Grant and new HOME grant funds in support of TCRA's various affordable housing programs.

ISSUE:

At issue is the Committee's review and comment on the PY 2018-19 HUD granted allocations of CDBG, HOME and ESG funds. Each year at this time, the City is tasked with determining its funding and service delivery activities for these programs as prescribed by HUD.

ALTERNATIVES:

The alternatives presented in this report are based on review and analysis of each application for funding and staff's best judgment of program activities that will lead to the preferred outcome as established in the PY 2018-19 Annual Action Plan to be submitted to HUD for review and approval on or before May 15, 2018. Other options could include, but are not limited to, changing the funding mix between activities or even 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 which would likely jeopardize the HUD imposed May 15, 2018 Annual Action Plan and Consolidated Plan deadline submittals. 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 expected \$3,409,556 in new federal HUD funds to manage its housing, community and economic development, homeless assistance and social 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 for the 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 social service programs. A total of \$3,409,556 will be made available to the City as a result of these actions.