



## City Council

### Public Hearing on Community Development Block Grant (CDBG) Program Year 2022 Annual Report

**Agenda Date:** 11/14/2023  
**Agenda Item Number:** 5.B  
**File Number:** 23-0978

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**Type:** public hearing **Version:** 1 **Status:** Filed

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#### **Title**

Public Hearing on Community Development Block Grant (CDBG) Program Year 2022 Annual Report

#### **Recommended Action**

##### **Committee Recommendation:**

Not referred to a committee.

##### **City Manager Recommendation:**

Hold a Public Hearing on the Program Year (PY) 2022 (9/1/2022 - 8/31/2023) CDBG Consolidated Annual Performance and Evaluation Report (CAPER) and direct staff to submit to Department of Housing and Urban Development (HUD) on or before November 30, 2023.

#### **Report**

##### **Issue:**

Whether to hold a Public Hearing on the Program Year 2022 (9/1/2022 - 8/31/2023) CDBG Consolidated Annual Performance and Evaluation Report (CAPER) and direct staff to submit to HUD on or before November 30, 2023.

##### **Staff Contact:**

Anastasia Everett, CDBG Program Manager, Office of Community Vitality  
360.233.6197

##### **Presenter(s):**

Anastasia Everett, CDBG Program Manager, Office of Community Vitality

##### **Background and Analysis:**

Each year the City reports on the performance of the CDBG Program through the CAPER. This report is presented in a short "Community Summary" version and the full CAPER format that will ultimately be submitted to HUD. The Community Summary Report and a copy of the draft CAPER are now available on the City's website and is reported to Council for the CAPER Public Hearing.

This CAPER details the performance of the City's CDBG Program for the Program Year 2022 (September 1, 2022 - August 31, 2023), with the specific accomplishments and expenses outlined.

The CAPER expense report reflects all fiscal activity that took place during PY22. It includes our entitlement grant of \$368,187 as well as prior year funds allocated in PY21 and PY22. Timely expenditure of funds is an important aspect of the CDBG program. Annually, HUD reviews the City's available funding and runs a Timeliness Test to ensure we are expending our funds in a timely manner. The requirements are that a grantee cannot have more than 1.5 times their most recent entitlement amount in their line of credit 60 days prior to the end of a program year. In the event of failing a Timeliness Test, grantees are obligated to create workout plans and submit them to HUD for review and spenddown monitoring. If a grantee fails two consecutive years of Timeliness Tests, the grantee could potentially lose future funding from HUD.

During the COVID-19 pandemic, HUD had temporarily put a waiver on Timeliness requirements, and Timeliness Tests were not run from PY20-PY21. Due to the waiver, large sums of program income receipted, and infusion of approximately \$600,000 of COVID-19 CDBG-CV funding, at the end of PY21 the City had 3.5 times our entitlement amount available in our line of credit.

In PY21, staff began focusing on spenddown to ensure a successful Timeliness Test for PY22. During PY21, the City completed three substantial amendments which totaled to approximately \$350,000. In PY22, staff completed 2 substantial amendments totaling \$243,000. The amendments together brought approximately \$600,000 of prior year funds allocated to activities that would greatly benefit our community.

A great majority of these funds have been expended in PY22 which reflects our higher-than-average expenditure report. Due to the large expenditures in PY22, the City was successfully able to spend down our line of credit to a passing ratio of 1.44 and passed the PY22 Timeliness Test.

Currently all prior year grant funds from 2015-2022 are either allocated to activities and under contract or are completely spent down. Following completion of all currently funded activities, the City will be positioned to solely focus on program income and future entitlement amounts.

Staff have taken action to address potential future timeliness issues and to ensure this buildup of prior year funds wouldn't occur again. Beginning in 2023, staff proposed adding contingency projects to our Annual Action Plan. By including contingency projects, the City can remain compliant with public participation requirements and incorporate unexpected infusions of program income to our existing CDBG program activities such as critical home repair or energy efficiency improvements.

The City, partnered with our subrecipients, completed rehabilitation projects on 50 homes during PY22. The City also completed 1 public facility improvement and 1 public service activity.

The City will hold a 15-day public comment period from November 1, 2023 - November 16, 2023.

The public will be able to submit comments on the CAPER via the following methods:

**Email:** [cdbg@ci.olympia.wa.us](mailto:cdbg@ci.olympia.wa.us) <<mailto:cdbg@ci.olympia.wa.us>>

**Mail:** Olympia CDBG Program, PO Box 1967, Olympia, WA 98507

**Phone:** 360.753.8277

## **Climate Analysis:**

CDBG is a flexible grant that can be used to support the City's climate goals. In 1980, the U.S. Congress gave the CDBG program a mandate to support energy efficiency and renewable energy technologies in property rehabilitation.

Typical energy efficiency activities funded by CDBG include design features to public facilities improvements promoting energy efficiency. Activities may also include public energy conservation services, assistance to neighborhood-based organizations undertaking energy conservation projects, and the development of energy use strategies to achieve maximum energy efficiency.

The City of Olympia continues to invest a significant amount of CDBG funding into energy efficiency projects. This program year, the City awarded funding for the project Homes First Electrification. This project replaces gas heating in rental homes owned by Homes First and replaces them with energy efficient electric heat pumps. Examples of prior projects include solar installation, home weatherization and home electrification for low- to moderate-income households.

Staff have worked collaboratively with the Climate program to provide fully subsidized heat pump installations for low and moderate income households through the Energize Olympia campaign. Staff will continue to explore collaborative opportunities between the programs.

#### **Equity Analysis:**

CDBG funds must primarily benefit 80% or under Area Median Income (AMI) persons. There are statistically major disparities in income that tie to marginalized groups in our community. In the City of Olympia, the total population determined to be below the poverty line is 7,489 individuals out of our total population of 51,076. Poverty is more prevalent in some races and ethnicities in Thurston County. 15.5% of Black or African American residents are below the poverty level, compared to 9.1% white residents.

CDBG funding can be used in a variety of activities to improve accessibility for residents with disabilities in our community. Eligible activities include reconstruction of sidewalks to install ramps and rehabilitation of homes or public facilities to include the removal of architectural barriers to accessibility. Examples of projects funded in program years 2021 and 2022 include critical home repair by our subrecipient, Rebuilding Together Thurston County. Critical home repair projects funded include installation of handrails, wheelchair ramps and safety equipment in the home. The City's CDBG is also funding the installation of an accessible elevator in the Behavioral Health Youth Facility owned by Community Youth Services.

CDBG funds can also be used to provide energy efficiency upgrades to low- and moderate-income persons in the community, which for many years have been inaccessible to many families as the cost of energy improvements can be significantly higher than what is affordable. This use of funds helps close the disparity in who can benefit from high efficiency heat pumps or solar installation. Energy efficiency upgrades also often lower the cost of electricity for the homeowner or tenant, which reduces the utility burden on households.

#### **Neighborhood/Community Interests (if known):**

CDBG funding is used to support Olympia residents at or below 80% AMI. CDBG funding priorities align with the 5-year HUD Consolidated Plan, and more specific goals are targeted annually in the AAP. Supporting low-moderate income Olympia residents is a high priority for the community, and CDBG funded projects help meet many of the City's goals outlined in the One Community Plan.

CDBG funding can benefit low-moderate income residents on an area basis (such as neighborhood improvements), limited clientele basis, or provide housing and jobs benefits.

**Financial Impact:**

The City's CDBG program expended a total of \$821,357.63 during PY22. This figure is significantly higher than recent years expenditures, which allowed the City to successfully pass its annual HUD Timeliness Test in 2023. The City has fully allocated all of its current and prior year funds and is expected to meet the PY23 Timeliness Test in 2024.

**Options:**

1. Hold a Public Hearing on the Community Development Block Grant Program Year 2022 CAPER and direct staff to submit to HUD.
2. Hold a Public Hearing on the Community Development Block Grant Program Year 2022 Consolidated Annual Performance & Evaluation Report (CAPER) and direct staff to make amendments to the draft plan before submittal to HUD.
3. Schedule the PY 2022 CAPER for another meeting and risk federal compliance issues due to deadline for submission.

**Attachments:**

Draft Program Year 2022 CAPER  
Program Year 2022 Community Summary