



City Council

Approval of the Second Substantial Amendment to the Program Year 2022 Community Development Block Grant Annual Action Plan

Agenda Date: 3/7/2023
Agenda Item Number: 4.C
File Number: 23-0152

Type: decision **Version:** 2 **Status:** Passed

Title

Approval of the Second Substantial Amendment to the Program Year 2022 Community Development Block Grant Annual Action Plan

Recommended Action

Committee Recommendation:

Not referred to a committee.

City Manager Recommendation:

Move to approve the amendment of the Program Year 2022 (PY22) Community Development Block Grant (CDBG) Annual Action Plan (AAP) to reallocate existing CDBG funding to two new activities.

Report

Issue:

Whether to approve the proposed amendment to the Program Year 2022 (PY22) Community Development Block Grant (CDBG) Annual Action Plan (AAP) to reallocate existing CDBG funding to two new activities.

Staff Contact:

Anastasia Everett, CDBG Program Specialist, 360.233.6197

Presenter(s):

Anastasia Everett, CDBG Program Specialist

Background and Analysis:

Staff recommend a second Substantial Amendment to the current PY 22 (9/1/22 - 8/31/23) CDBG AAP to allocate unspent prior Program Year (PY) CDBG funding.

The City proposes a total of \$150,000 of unallocated PY 17, PY19, PY20 and PY21 federal funds to be allocated towards one new home rehabilitation activity. Activity will support rehabilitation, electrification and energy efficiency improvements to approximately 10 properties owned by Homes

First. Homes First provides affordable housing for tenants at or below 50% of area median income (AMI). City of Olympia CDBG funds can only be used on improvements to properties within the City of Olympia. The Homes First properties receiving these improvements will be within City limits.

The City also proposes \$20,000 of CDBG-CV2 (Commerce) funding to be directed to one new public service activity supporting resources and services for community members experiencing homelessness. The public service activity carried out by the subrecipient Olympia Mutual Aid Partnership (OlyMAP). The subrecipient will provide case management, individual services and site support at New Hope tiny home village and Nickerson encampment.

City staff had included in the Public Hearing for the second substantial amendment funding for an additional proposed activity, SideWalk. After completing risk assessments and reviewing financial records, staff have pulled the funding request for that proposed activity for this amendment. Moving forward, CDBG staff have developed policies and procedures to include risk assessments in all CDBG applications.

CDBG staff will present Program Year 2023 Annual Action Plan proposed activities to the Community Livability and Public Safety Committee (CLPS). At the upcoming Program Year 2023 CLPS presentation on April 26th, staff will also present options for Council to review future CDBG substantial amendment proposals at Committee meetings.

The City of Olympia received a direct allocation from HUD of approximately \$600,000 (CDBG-CV 1 and 3) in 2020 to prepare, prevent, and respond to the COVID-19 pandemic. There is a timeliness test for the CDBG-CV funds, in which HUD requires 80% of CDBG-CV funding to be expended within three years. On the January 30, 2023 HUD response to the City's CAPER submittal, HUD noted that the City has spent 96.33% of its CDBG-CV funding, which meets the 80 percent expenditure requirements.

In 2022, the City applied for and received additional CDBG-CV funding from the Department of Commerce (CDBG-CV 2). The funding awarded supports the City's Homeless Response Coordinator position, Familiar Faces expansion campaign and is funding the proposed public service activity. CDBG-CV funding does not have the ceiling for the 15% public service cap. Due to the CDBG-CV 2 award, the City is able to triple its public service activities during PY 22.

Climate Analysis:

The proposed home rehabilitation projects are expected to result in long-term reduction of greenhouse gas emissions in Olympia. Homes First will use the funding to shift their rental properties from fossil fuels to high-efficiency electric air- or ground-source heat pumps, heat pump water heaters, induction stoves, heat pump dryers, and solar. The funding will also cover building envelope improvements, such as replacing windows and roofs. The energy savings are anticipated to benefit the tenants of Homes First significantly. In Olympia, 23 of the 35 households in homes owned by Homes First pay for their own electricity. The energy upgrades are anticipated to reduce greenhouse gas emissions in the City.

The proposed public service activity is not expected to have an impact on greenhouse gas emissions.

Equity Analysis:

The groups that are expected to benefit from the two proposed activities are low-income tenants in the City of Olympia and residents in our community experiencing homelessness. Demographic information for all individuals receiving CDBG funding must be reported to HUD, including gender/race/ethnicity data. The project impacts known disparities in our communities by directly funding homelessness services for some of the most marginalized community members among us. Homes First tenants are at or below 50% area AMI, and the electrification of the Homes First properties are expected to significantly decrease the electricity costs paid by tenants at Homes First properties.

Neighborhood/Community Interests (if known):

CDBG funding is used to support Olympia residents at or below 80% area median income (AMI). CDBG funding priorities align with the 5-year HUD Consolidated Plan, and more specific goals are targeted annually in the Annual Action Plan. 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, limited clientele basis, or provide housing and jobs benefits.

Financial Impact:

The City has a total of \$163,737 in prior program year entitlement funds available to allocate to activities. This is due to a large amount of Program Income received in the past five years and activity repayments to HUD. Program Income must be disbursed for eligible activities before the City can request entitlement funds from the U.S. Treasury: 24 CFR 570.504(b)(2)(ii) - Substantially all other program income shall be disbursed for eligible activities before additional cash withdrawals are made from the U.S. Treasury.

Program income receipted in PY 21 totaled \$102,175.09 (not including program income directed to the Revolving Loan Fund). The City must expend approximately \$300,000 of CDBG funding by the City's timeliness test administered by HUD on July 3, 2023. These new activities will assist the City in meeting its timeliness requirements.

The City received approximately \$600,000 of CDBG-CV 1/3 funding from HUD to prevent, prepare and respond to COVID-19. As of January 30, 2023 over 96% of this funding has been expended. The City has secured \$141,000 of additional CDBG-CV 2 funding from the Department of Commerce. \$20,000 of the funding secured is proposed towards the new public service activity carried out by subrecipient OlyMAP to provide services to some of Olympia's most marginalized residents. City CDBG staff will be working to allocate the remaining \$20,000 of the Commerce CDBG-CV2 award in spring 2023.

Options:

1. Move to approve the CDBG Program Year 2022 Second Substantial Amendment as staff has proposed.
2. Move to amend the proposed CDBG Program Year 2022 Second Substantial Amendment and approve with suggested edits to staff.
3. Hold the approval of the Second Substantial Amendment at another time.

Attachments:

Amended Program Year 2022 Draft Second Substantial Amendment
Draft Program Year 2022 Second Substantial Amendment