

December 3, 2021

MEMORANDUM

To: Finance and Housing Committee
From: Amy Gore, Analyst
Subject: Council Bill 120238: Substantial Amendment to the 2021 Annual Action Plan and 2022 Draft Annual Action Plan

On Tuesday, December 7th, 2021, the Finance and Housing Committee (Committee) will consider two items related to the City's Annual Action Plan (AAP), which describes how the City will spend funds from four federal grants. First, the Committee will hold a public hearing and potentially vote on [Council Bill \(CB\) 120238](#), which would adopt a significant amendment to the 2021 AAP. Second, the Committee will hold a public hearing on the Draft 2022 AAP which does not require committee action at this time.

This memo provides background information on the AAP, describes the annual adoption and amendment processes, and outlines next steps.

Background

Annual Action Plan

The AAP is adopted annually by City Council and submitted to the U.S. Department of Housing and Urban Development (HUD). The Plan describes how the City will spend four federal grants: Community Development Block Grants (CDBG), Housing Opportunities for People with AIDS (HOPWA), Emergency Solutions Grants (ESG) and Home Investment Partnerships Program (HOME) funds. The City generally uses the funds as follows:

- CDBG funds are used to provide services to homeless persons and families; develop and retain affordable housing; provide for economic development opportunities for neighborhoods and individual businesses and job training; support the goals of the Equitable Development Initiative; and improve neighborhood parks.
- HOME funds are dedicated to developing and preserving affordable housing.
- ESG funds are used by the Human Services Department (HSD) to support shelter, hygiene services, and rapid re-housing.
- HOPWA funds are used to provide short- and long-term rental assistance in addition to costs related to acquiring housing.

The AAP is guided by the [5-Year Consolidated Plan for Housing and Community Development](#) and should be consistent with the City's annual adopted budget.

AAP Adoption and Amendment Process

Because the annual program entitlements from the four grants described in the AAP are usually not known until the congressional appropriations are approved in the first quarter of each calendar year, HUD has developed a two-step process for submitting AAPs. First, a jurisdiction develops a draft AAP based on an estimate of grant funding. This draft plan is subject to a public comment period and requires that a public hearing be held before the City submits the Plan to HUD prior to the subject year. After the annual entitlements are determined by Congress, the City updates and finalizes the Plan to reflect these appropriations. The City allows for additional public comment and holds a second public hearing. The final Plan is then approved by the Council and submitted to HUD by HSD. Adhering to this process allows for “pre-award spending” so that the City can spend grant funds during the period between the draft and final plans and before HUD begins distributing the funds, allowing for the uninterrupted provision of services.

If a jurisdiction deviates from the adopted AAP, it must adopt “a significant amendment” to the relevant AAP. The distribution of additional HOME grant funds through the American Rescue Plan Act (ARPA) has resulted in the need to revise the City’s 2021 AAP.

CB 120238

In May, Council adopted the 2021 Annual Action Plan which accepted \$22.3 million in federal funds in 2021 ([Ordinance \(ORD\) 126332](#)). In June, after passage of the American Rescue Plan Act (ARPA), Council adopted [ORD 126371](#) which accepted \$128.4 million of federal COVID-19 relief funding, including an additional \$12.2 million of ARPA HOME grant funds to be used for permanent affordable housing. In September, HUD released guidance requiring that the City adopt a significant amendment to the 2021 AAP before spending the ARPA HOME funds.

CB 120238 would adopt a significant amendment to the 2021 AAP. The proposed significant amendment (1) demonstrates consultation with local organizations, (2) demonstrates compliance with the public participation process, including a public comment period and public hearing, (3) presents a needs assessment and gap analysis, and (4) documents the planned use of the ARPA HOME funds. Consistent with ORD 126371, the substantial amendment indicates that the funds will be used to for the acquisition, construction, preservation, and/or rehabilitation of affordable housing.

2022 Draft Annual Action Plan

The 2022 Draft Annual Action Plan estimates that the City will receive a total of \$16.5 million in federal entitlement in 2022, in addition to \$1.4 million of program revenue (typically from loan repayment). The Draft AAP identifies eighteen projects and programs to be funded by the four grants (See Attachment 1). Because the draft plan was developed and published for public comment before the adoption of the 2022 Budget, the project list will need to be updated and corrected to reflect the adopted budget and actual entitlements before the final plan is adopted by Council in 2022.

Table 1: Estimated 2022 Grant Revenues

Grant	Entitlement	Program Income	Total
CDBG	\$ 9,207,578	\$ 400,000	\$ 9,607,578
HOME	\$ 3,304,427	\$ 1,000,000	\$ 4,304,427
ESG	\$ 801,321	\$ -	\$ 801,321
HOPWA	\$ 3,150,304	\$ -	\$ 3,150,304
Total	\$ 16,463,630	\$ 1,400,000	\$ 17,863,630

Next Steps

If the Committee votes to recommend approval of CB 120238 at its meeting on Tuesday, December 7, 2021, final Council action would occur at the City Council meeting on December 13, 2021. The Finance and Housing Committee, or its successor, will take up the final AAP for 2022 following approval of the annual entitlements by Congress; this will include updating the 2022 Project list to align with the 2022 adopted budget.

Attachments:

1. Draft 2022 Project List

cc: Esther Handy, Director
Aly Pennucci, Policy and Budget Manager

Attachment 1. Draft 2022 Project List*

Project	Source	Funding	Description
HSD Human Services Admin & Planning	CDBG	\$1,012,527	Manage and administer the CDBG program and oversight of all Consolidated Plan funds.
HSD Homeless Services (KCHRA subrecipient grants)	CDBG	\$3,151,628	Emergency shelter operations and case management to move people to permanent housing. These funds will be administered by King County Regional Homeless Authority as a subrecipient of the City.
HSD Homeless Services (KCHRA admin)	CDBG	\$24,600	Support the administrative obligations of King County Regional Homeless Authority as a subrecipient of CDBG funds and as a participant in the consolidated planning process.
HSD ESG	ESG	\$801,321	Fund operations at two shelter sites and fund a Rapid Re -Housing program for families. These funds will be administered by King County Regional Homeless Authority as a subrecipient of the City.
HSD HOPWA	HOPWA	\$3,150,304	Provide funding for housing stabilization including Tenant-based Rent Assistance (TBRA) and Short-Term Rent, Mortgage, and Utility (STRMU) assistance, and Permanent Housing Placement along with Supportive Services for employment.
HSD Community Facilities - Clinic Development	CDBG	\$1,000,000	A single recipient will be identified to develop this project, which will target elders at risk of displacement due to chronic health and functional limitations. The clinic will provide comprehensive and coordinated care.*
HSD Mt Baker	CDBG	\$155,734	Family Resource Center available to low-income families with services such as: health education, housing stability services, diversion referrals for families experiencing homelessness, childcare placement services, and play and earn groups for kids.
HSD Minor Home Repair	CDBG	\$449,917	The Minor Home Repair program serves younger disabled homeowners, low-income family homeowners, and older adult homeowners who are faced with the challenge of affording home repairs, such as fixing leaking pipes, replacing broken sinks, rebuilding broken steps, replacing broken doors and windowpanes, building wheelchair ramps, and installing grab bars.
OH Home Repair Revolving Loan Program	CDBG	\$605,462	Financial assistance in the form of loans to qualifying homeowners. Program development, financial management, and data reporting activities in support of the Home Repair Program.

Project	Source	Funding	Description
OH Homebuyer Assistance Revolving Loan Program	CDBG	\$315,004	Provide direct assistance to low-and moderate-income (LMI) households to purchase existing homes to create access to housing stability and wealth building and provide access to affordable homeownership for LMI households in Seattle.
OH Office of Housing CDBG Admin & Planning	CDBG	\$160,972	Support OH staff costs associated with CDBG and HOME program planning and contracted services.
OH Rental Housing Preservation and Development Revolving Loan Program	CDBG	\$366,435	Capital financing related to construction, acquisition, and rehabilitation of affordable rental housing for low-income households.
OH Office of Housing HOME Admin & Planning	HOME	\$330,442	Administration of HOME activities.
OH Rental Housing Preservation and Development HOME Program	HOME	\$3,973,985	Funds will be used, with other funds, for capital financing related to construction, acquisition, and rehabilitation of affordable rental housing for low-income households.
OED Small Business Support	CDBG	\$1,364,000	Provide technical assistance on the stabilization and financial aspects of maintaining a business, providing working capital grants for businesses after a destabilizing event (for example, disruption of customers caused by nearby construction) and by financing necessary tenant improvements.
OIRA ESL for Work (Ready to Work)	CDBG	\$650,200	Provide English language learning and digital literacy classes and employment services including outreach, learning assessments, classroom instruction, case management, educational and career planning, job placement and employer engagement to support the program.
OPCD Equitable Development Initiative	CDBG	\$430,000	Fund Equitable Development Projects, which are community-driven strategies created through an inclusive community engagement process and are prioritized in neighborhoods with high levels of chronic and recent displacement risk, history of disinvestment and community driven priorities to mitigate further displacement and increase access to opportunity.
PARKS Seattle Conservation Corp Park Upgrades	CDBG	\$808,000	Installation of up to 6 park improvements including but not limited to safety fencing, paths, ADA compliance, and improved landscaping.
<p>* The draft project funding does not total the estimated grant revenues, which will be corrected in the Final AAP.</p> <p>** The 2022 Adopted Budget used General Funds for this project and uses \$1.0 million CDBG for childcare facilities, which will be corrected in the Final AAP.</p>			