

May 3, 2021

MEMORANDUM

To: Finance and Housing Committee
From: Amy Gore, Analyst
Subject: Council Bill 120059: 2021 Annual Action Plan for Federal Grants

On Wednesday, May 5, the Finance and Housing Committee will hold a public hearing and potentially vote on [Council Bill \(CB\) 120059](#). This bill would: (1) adopt the [Final 2021 Annual Action Plan \(AAP\)](#), (2) amend the [2019 AAP](#), (3) amend the [2020 AAP](#), (4) approve their submittal to the U.S. Department of Housing and Urban Development (HUD), (5) authorize the acceptance of grant funds and (6) amend [Ordinance 126237](#), which adopted the 2021 budget.

This memo describes the purpose of Annual Action Plans, HUD adoption requirements, the proposed Council Bill, a proposed technical amendment, and next steps.

Background

Annual Action Plan

The AAP is adopted annually by City Council and submitted to 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 are generally not known until the congressional appropriations in the 1st 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 the 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 changes are made to the adopted AAP, a jurisdiction must adopt “a significant amendment” to the relevant AAP. The distribution of additional grant funds through the Coronavirus Aid, Relief, and Economic Security (CARES) Act has resulted in the need to retroactively revise the City’s 2019 and 2020 AAPs.

CB 120059

2021 Annual Action Plan

Based on anticipated federal appropriations, the 2021 Adopted Budget included a total of \$18.563 million in grant entitlement and program income¹ from the four grants governed by the AAP. The final entitlements and program income are \$18.557 million, a net increase of \$6,138.

- CDBG – The final 2021 CDBG entitlement is \$9.588 million, slightly higher than the anticipated \$9.395 million included in the 2021 Adopted Budget. Program income remained \$827,462, for a total of \$10.223 million in CDBG funds.
- HOME – The final 2021 HOME entitlement is \$3.372 million, lower than the anticipated \$3.391 million included in the 2021 Adopted Budget. Program income remained \$1,000,000, for a total of \$4.391 million in HOME funds.
- ESG – The final 2021 ESG entitlement is \$817,674, slightly lower than the anticipated \$820,644 included in the 2021 Adopted Budget.
- HOPWA – The final 2021 HOPWA entitlement is \$3.150 million, higher than the anticipated \$2.930 million included in the 20201 Adopted Budget.

¹ Program income usually derives from revolving loan program payments and must be invested in the same program.

Table 1: Comparison of 2021 Adopted Budget and Final 2021 Grant Revenues

Grant	Entitlement	Program Income	Total
2021 Adopted Budget			
CDBG	\$9,588,335	\$827,462	\$10,415,797
HOME	\$3,390,613	\$1,000,000	\$4,390,613
ESG	\$820,644	\$0	\$820,644
HOPWA	\$2,929,601	\$0	\$2,929,601
Total	\$16,729,193	\$1,827,462	\$18,556,655
Final 2021 AAP			
CDBG	\$9,395,488	\$827,462	\$10,222,950
HOME	\$3,371,865	\$1,000,000	\$4,371,865
ESG	\$817,674	\$0	\$817,674
HOPWA	\$3,150,304	\$0	\$3,150,304
Total	\$16,735,331	\$1,827,462	\$18,562,793
Change	\$6,138	\$0	\$6,138

Overall, there is a two percent decrease to the CDBG, ESG and HOME grants. This is primarily related to changes in Seattle’s demographics and housing characteristics, but it is also important to note that nationally, CDBG has been declining in relation to cost of living increases for multiple decades. The HOME and ESG reductions are small enough to not impact programming. To mitigate the decrease in CDBG grant funds, the proposed project changes are focused on administrative functions to reduce costs without impacting positions, as shown below, but does include a decrease in homelessness services of \$86,101.

Table 2: Comparison of 2021 Adopted Budget and Final 2021 Grant Spending

	2021 Adopted Budget	Final 2021 AAP	Change
HSD 2021 CDBG Administration and Planning	\$1,203,841	\$1,096,770	(\$107,071)
HSD 2021 Homeless Services (CDBG)	\$3,176,228	\$3,090,127	(\$86,101)
HSD 2021 Mt. Baker Family Resources Center	\$345,502	\$345,502	\$0
HSD 2021 Homelessness Services (ESG)	\$820,644	\$817,674	(\$2,970)
HSD Housing Opportunities for Persons with AIDS RFP	\$2,929,601	\$3,150,304	\$220,703
HSD 2021 Minor Home Repair	\$449,917	\$449,917	\$0
OH 2021 Home Repair Revolving Loan Program	\$605,462	\$605,462	\$0
OH 2021 Admin & Planning	\$160,972	\$260,972	\$100,000
OH 2021 Homebuyer Assistance Revolving Loan Program	\$222,000	\$122,000	(\$100,000)
OH 2021 Rental Housing Preservation & Development	\$4,390,613	\$4,371,865	(\$18,748)
OED 2021 Small Business Support	\$1,363,675	\$1,114,000	(\$249,675)
OED 2021 CDBG Small Business Grants (Round 3)	\$1,000,000	\$1,250,000	\$250,000
OIRA 2021 Ready to Work (ESL program)	\$650,200	\$650,200	\$0
OPCD 2021 Equitable Development Initiative	\$430,000	\$430,000	\$0
Parks 2021 Seattle Conservation Corps Park Upgrades	\$808,000	\$808,000	\$0
Total	\$18,556,655	\$18,562,793	\$6,138

2021 Adopted Budget Appropriations

The changes in grant revenue and project funding require small changes to the 2021 Adopted Budget, as shown in Table 3. The proposed legislation includes small errors in the appropriation tables in Section 5 and 6 and in order to correct the 2021 Adopted Budget, the Committee will need to approve a technical amendment which is Attachment 1 to this memo.

*Table 3: Appropriation Changes to the 2021 Adopted Budget**

Department	Fund	Budget Summary Level	Amount
HSD	Human Services Fund (16200)	Addressing Homelessness (BO-HS-H3000)	\$131,632
Executive (OED)	General Fund	Business Services (BO-ED-X1D00)	\$325
Executive (OH)	Low Income Housing Fund (16400)	Multifamily Housing (BO-HU-3000)	(\$18,748)
HSD	Human Services Fund (16200)	Supporting Affordability and Livability (BO-HS-H1000)	(\$107,071)
Total			\$6,138

*Assumes Council approval of Amendment 1

2019 Annual Action Plan

CB 120059 includes a significant amendment to the 2019 AAP. This revised AAP reflects an additional \$5.580 million that was received as part of the third tranche of the CARES Act and was appropriated to provide assistance to persons experiencing homelessness or at-risk of homelessness. ([Ordinance 126211](#)).

2020 Annual Action Plan

CB 120059 also includes a significant amendment to the 2020 AAP to reflect budget changes made administratively or adopted by Council after the adoption of the plan ([Ordinance 126211](#)), including increases to small business funding and homelessness services.

Table 4: Changes Made to 2020 Annual Action Plan

Original Project	Amount	Shifted to	Ordinance
HSD SHA Improvements	\$1,000,000	HSD Homeless Services	126211
Parks Conservation Corp Park Upgrades	\$660,000	HSD Homeless Services	126211
Uncommitted prior year funds	\$353,341	HSD Homeless Services	126211
OED Only in Seattle	\$153,378	OED Small Business Stabilization	N/A*
OED Small Business Support	\$96,622	OED Small Business Stabilization	N/A*
Uncommitted prior year funds	\$1,100,000	OED Small Business Stabilization	126211
OED King Street Station	\$307,500	OED Seattle Jobs initiative	N/A*

* Internal reallocation of funds in OED

The proposed legislation reflects the City's goals and plans as expressed in the [Adopted 5-Year Consolidated Plan for Housing and Community Development](#) and the 2021 Adopted Budget. The Council could modify the proposed legislation to provide support to eligible activities that the Council believes are of a higher priority.

Next Steps

If the Committee recommends approval of CB 120059 at its May 5 meeting, it could be considered by the City Council as early as May 10.

Attachments:

1. Amendment 1 – Technical Corrections to Appropriation Tables

cc: Dan Eder, Interim Director
Aly Pennucci, Policy and Budget Manager

Amendment #1
 to
CB 120059 – An Ordinance Adopting the 2021 Annual Action Plan and Amending the 2019 and 2020 Annual Action Plans

Sponsor: CM Mosqueda

Makes corrections to appropriations.

Amend Section 5 as shown:

Section 5. The appropriations for the following items in the 2021 Adopted Budget are increased for the funds shown, as follows:

Item	Department	Fund	Budget Summary Level/BCL Code	Amount
5.1	Human Services Department	Human Services Fund (16200)	Addressing Homelessness (BO-HS-H3000)	\$131,572 \$131,632
5.2	<u>Executive (Office of Economic Development)</u>	<u>General Fund</u>	<u>Business Services (BO-ED-X1D00)</u>	\$325
Total				\$131,572 \$131,957

Amend Section 6 as shown:

Section 6. The appropriations for the following items in the 2021 Adopted Budget are decreased for the funds shown, as follows:

Item	Department	Fund	Budget Summary Level/BCL Code	Amount
6.1	Executive (Office of Housing)	Low Income Housing Fund (16400)	Multifamily Housing (BO-HU-3000)	(\$18,748)
6.2	Human Services Department	Human Services Fund (16200)	Supporting Affordability and Livability (BO-HS-H1000)	(\$106,746) (\$107,071)
Total				(\$125,494) (\$125,819)

Effect: This amendment changes the table in Section 5 to reflect that the appropriation to Addressing Homelessness BSL (BO-HS-H3000) should be \$131,632 instead of \$131,572, and to include a \$325 appropriation increase to OED Business Services BSL (BO-ED-X1D00). This results in a total increase in appropriations of \$131,957. This amendment changes Section 6 to reflect that the appropriation to Supporting Affordability and Livability BSL (BO-HS-H1000) should be decreased by \$107,071, for a total appropriation decrease of \$125,819.