

SUMMARY and FISCAL NOTE*

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** Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

1. BILL SUMMARY

a. **Legislation Title:** AN ORDINANCE relating to funding for housing and community development programs; amending the City of Seattle 2014, 2015, and 2017 Annual Action Plans to the 2014 – 2017 Consolidated Plan for Housing and Community Development to repurpose funds to Office of Economic Development (OED) neighborhood business district activities, business technical assistance, Section 108 loan repayment activities, and Housing Affordability and Livability Agenda (HALA) implementation activities, and to add disposition of real property; amending Ordinances 124496, 124756, and 125365, which adopted the 2014, 2015, and 2017 Annual Action Plans; amending Ordinance 125207, which adopted the 2017 Budget, by modifying appropriations to various departments and budget control levels in the 2017 Adopted Budget; and ratifying and confirming certain prior acts; all by a 3/4 vote of the City Council.

b. Summary and background of the Legislation:

This legislation amends the 2014, 2015 and 2017 Annual Action Plans to the 2014 – 2017 Consolidated Plan for Housing and Community Development to:

- 1) adjust the 2014 spending plan for the Community Development Block Grant Program to reflect allocation changes, and adds 2017 OED: Neighborhood Business District - Only In Seattle, and 2017 OED: Small Business TA & Entrepreneur Support, 2017 OED: Alpha Cine and 2017 HALA Implementation services activities;
- 2) adjust the 2015 spending plan for the Community Development Block Grant Program to reflect allocation changes and adds 2017 OED: Neighborhood Business District - Only In Seattle;
- 3) adjust the 2017 spending plan for the Community Development Block Grant Program to reflect allocation changes by the addition of 2014 and 2015 funds to the 2017 OED: Neighborhood Business District - Only In Seattle, and 2017 OED: Small Business TA & Entrepreneur Support, 2017 OED: Alpha Cine and 2017 HALA Implementation services activities;
- 4) adjust the 2017 spending plan for the Community Development Block Grant Program to reflect the increase in Program Income (PI) received by the Office of Housing in the amount of \$1,200,000 for a total PI amount for 2017 of \$2,550,000;
- 5) adjust the 2017 plan for the Community Development Block Grant Program to reflect the addition of 2017 HALA implementation services for consultant services to implement HALA recommendations
- 6) adjust the 2017 plan for the Community Development Block Grant Program to reflect the addition of disposition of real property to allow for the disposition of the Greenwood Senior Center, originally assisted with Community Development Block

- Grant Program funds in 1978. No CDBG funding will be used for costs associated with the disposition of the real property;
- 7) modifies appropriations to various departments and budget control levels in the 2017 Adopted Budget.

The use of CDBG funds from the United States Department of Housing and Urban Development (HUD) are governed by the Consolidated Plans and annual action plans submitted by the City. Any change in the use of funds greater than \$50,000 is considered “substantial amendments” to the plans and must be formally approved by Council.

In 1978, the City purchased an approximately 22,000 square-foot building located at 525 North 85th Street (“Greenwood Senior Center”) for use as a neighborhood senior center. The purchase money for the Greenwood Senior Center included funds from a Community Development Block grant from the HUD and from an award of Referendum 29 funds as administered by the State of Washington Department of Social and Health Services. Under separate legislation, the Department of Finance and Administrative Services (FAS) is pursuing authority to enter into a transfer agreement, whereby the City will convey the Greenwood Senior Center to the Phinney Neighborhood Association (PNA) in exchange for: (i) a covenant for a term of ten years requiring PNA to secure the consent of the City’s Office of Housing prior to any redevelopment of the Greenwood Senior Center, and (ii) a covenant for a term of fifteen years, giving the City a right of first refusal to repurchase the Greenwood Senior Center from the PNA; and (b) a HUD-mandated, sub-recipient agreement which will obligate the PNA, for term of fifteen years, to use the Greenwood Senior Center to provide senior services.

CDBG regulations state that the City has seven years in which to expend funds or they will be returned to HUD. There is \$507,500 of 2014 and 2015 CDBG funds unexpended. In order to expend older funding it was proposed to reduce Office of Economic Developments 2017 CDBG allocation and to repurpose the older unused funds to activities that are guaranteed to expend funds immediately in Office of Economic Development and Office of Housing.

Under Grant Based Accounting rules for HUD, we are required to identify the activities in the Action Plans that correspond with the original year that the City received the funds and the calendar year in which the activity is to occur. As such, this legislation includes the amending of the 2014, 2015 and the 2017 Annual Action Plans.

2. CAPITAL IMPROVEMENT PROGRAM

- a. Does this legislation create, fund, or amend a CIP Project? Yes No

3. SUMMARY OF FINANCIAL IMPLICATIONS

a. Does this legislation amend the Adopted Budget? X Yes No

Budget program(s) affected:				
Appropriation change (\$):	General Fund \$		Other \$	
	2017	2018	2017	2018
			\$1,707,500	
Estimated Revenue change (\$):	Revenue to General Fund		Revenue to Other Funds	
	2017	2018	2017	2018
			\$1,707,500	

Note: The changes in appropriations are net of the changes for all the HUD grant programs and mostly consist of a one-time increase in Program Income for Office of Housing. There are detailed tables showing the changes from the 2017 Adopted Budget for appropriations and revenues below in sections 3d and 3e.

b. Does the legislation have other financial impacts to the City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?

Allocating unspent CDBG funds from 2014 and 2015 to be spent in 2017 provides full funding for these activities that received reduced funds in the 2017 CDBG allocation. Using the older CDBG funds for 2017 activities helps the City maintain compliance with HUD expenditure requirements. The changes shown in the table above include:

- \$278,016 to 2017 OED: Neighborhood Business District - Only In Seattle
- \$95,000 to 2017 OED: Small Business TA & Entrepreneur Support
- \$84,484 2017 OED: repayment of Section 108 loan for Alpha Cine
- \$50,000 HALA implementation activities

Enactment of the legislation will allow the Office of Housing to expend the additional \$1,200,000 Program Income (PI) receipted in 2017. It will also allow FAS to avoid costs associated with normal repairs and maintenance of the Greenwood Senior Center which it would otherwise incur if it did not convey the Greenwood Senior Center to the Phinney Neighborhood Association (PNA).

c. Is there financial cost or other impacts of *not* implementing the legislation?

If CDBG funds are not expended in a timely manner on qualifying activities, they are subject to recapture by HUD and the City would lose access to those dollars. The City would be faced with reducing or eliminating services and/or using General Fund to provide the services.

If the legislation is not implemented, the lease for the Greenwood Senior Center will remain in effect and FAS will continue to be responsible for the cost of normal repairs and maintenance.

3.d. Appropriations

X This legislation adds, changes, or deletes appropriations.

Fund Name and number	Dept	Budget Control Level	2017 Appropriation Change
Community Development Block Grant 17810	Executive	CDBG – Office of Housing (17810-6XZ10)	\$1,250,000
Community Development Block Grant 17810	Executive	CDBG – Office of Economic Development (17810-6XD10)	\$457,500
TOTAL			\$1,707,500

Is this change one-time or ongoing?

The change is ongoing until such time as the allocations are amended by future budget legislation or substantial amendment.

Significant Changes:

One-time CDBG:

- During 2017, the sale of a real property originally purchased in part with Federal CDBG funds increased the total CDBG Program Income (PI) revenue estimated for 2017.

Appropriations Notes:

This legislation adjusts the appropriations in the 2017 Adopted Budget to account for unspent grant funds from previous years and increases appropriation to OH in their 2017 Adopted Budget as a result of additional Program Income (PI) revenue received in 2017.

Fund Name & Appropriation Source	2017 Adopted Budget	2017 Amendment	Difference
CDBG Main Fund (17810): Community Development Block Grant Program entitlement	\$8,848,381	\$9,355,881	\$507,500
CDBG Main Fund (17810): 2017 Program Income & recapture exceeded estimates	\$1,350,000	\$2,550,000	\$1,200,000
TOTAL	\$10,198,381	\$11,905,881	\$1,707,500

3.e. Revenues/Reimbursements

X This legislation adds, changes, or deletes revenues or reimbursements.

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Dept	Revenue Source	2017 Revenue
CDBG Main Fund (17810)	CDBG	US HUD Community Development Block Grant Program entitlement	\$507,500
CDBG Main Fund (17810)	CDBG	2017 Program Income & recapture exceeded estimates	\$1,200,000
TOTAL			\$1,707,500

Is this change one-time or ongoing?

The change is ongoing until such time as the allocations are amended by future budget legislation or substantial amendment.

Significant Changes:

One-time CDBG:

- During 2017, the sale of a real property originally purchased in part with Federal CDBG funds increased the total CDBG Program Income estimated to be received during 2017.

Revenue/Reimbursement Notes:

This legislation adjusts the appropriations in the Adopted Budget to spend funding available from previous CDBG entitlement awards and account for Program Income revenue in the 2017 Adopted Budget. The table below shows the revenue changes from the 2017 Adopted Budget.

Fund Name & Revenue Source	2017 Adopted Revenue	2017 Actual Revenue	Difference
CDBG Main Fund (17810): Community Development Block Grant Program entitlement	\$8,848,381	\$9,355,881	\$507,500
CDBG Main Fund (17810): 2017 Program Income & recapture exceeded estimates	\$1,350,000	\$2,550,000	\$1,200,000
TOTAL	\$10,198,381	\$11,905,881	\$1,707,500

4. OTHER IMPLICATIONS

a. Does this legislation affect any departments besides the originating department?

Yes, CDBG funds are allocated to the Office of Economic Development as a regular part of their budget. Most changes from the 2017 Adopted Action Plan were reflected in the Office of Economic Development. As stated in the adoption of the 2017 Annual Action Plan, this Substantial Amendment is to recapture and reallocate prior year funding in OED, which combined with the 2017 Action Plan will result in no impact to the operations of the ongoing programs. Enactment of the legislation will also allow FAS to transfer the Greenwood Senior Center, which it would otherwise need to continue to manage if it did not convey the Greenwood Senior Center to the PNA. The other departments affected by this legislation are:

- Office of Housing
- Office of Economic Development
- Department of Finance and Administrative Service

b. Is a public hearing required for this legislation?

Yes, a hearing before the Budget Committee is expected on December 6, 2017.

c. Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?

Yes. FAS will furnish the PNA with a disclosure statement pursuant to RCW 64.06.013.

d. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?

Yes, publication is required in *The Daily Journal of Commerce*. HSD staff will send the public hearing notice to the DJC in time to provide 15 day advance notice.

Yes. As the disposition of the Greenwood Senior Center triggers a review under the State Environmental Policy Act, a notice of the determination of non-significance was published on July 31, 2017 in the Seattle Daily Journal of Commerce.

e. Does this legislation affect a piece of property?

Yes. See map attached to this fiscal note.

f. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities?

Programs and activities supported by these funds are specifically intended to benefit low- and moderate-income persons and families. These persons and families are disproportionately underserved and from communities of color. Economic and community development activities will specifically target historically disadvantaged neighborhoods and business districts.

g. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s).

This legislation contains funding for CDBG-eligible activities to assist with economic opportunities in on-going OED programs and to allow for the disposition of city owned property that was originally assisted with CDBG funding.

List attachments/exhibits below:

Attachment A – Depiction of the Location of the Greenwood Senior Center