

Revised September 21, 2023

## MEMORANDUM

**To:** Public Safety and Human Services Committee  
**From:** Jennifer LaBrecque, Legislative Analyst  
**Subject:** Council Bill 120668 - adopting the 2024-2028 Consolidated Plan and Council Bill 120669 – modifying appropriations of Community Development Block Grant (CDBG) funds

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On Tuesday, September 26, 2023, the Public Safety and Human Services Committee (Committee) will hold a public hearing on the 2024-2028 Consolidated Plan for Housing and Community Development (Consolidated Plan) and the draft 2024 Annual Action Plan (AAP). The Committee will then discuss and possibly vote on two bills:

1. [Council Bill \(CB\) 120668](#) – which adopts the 2024-2028 Consolidated Plan and the draft 2024 AAP, including authorizing the use of \$7 million for community facilities to meet the needs of those experiencing substance abuse.
2. [CB 120669](#) – a technical clean-up bill related to Community Development Block Grant (CDBG) funds which amends the 2023 Adopted Budget to allow the Human Services Department (HSD) to invest \$7 million of prior year, unexpended CDBG funds for community facilities to meet the needs of those experiencing substance abuse.

The approved 2024-2028 Consolidated Plan, including the draft 2024 AAP, is due to the Department of Housing and Urban Development (HUD) on November 15, 2023.

This memo describes the purpose of Consolidated Plan, major changes in the Consolidated Plan, the purpose of the 2023 CDBG Clean-Up bill, and identifies issues for consideration.

### **Background**

#### CB 120668 - 2024-2028 Consolidated Plan & Draft 2024 AAP

The Consolidated Plan assesses the City's housing and community development needs and describes for HUD and the public what strategies will be funded using the annual allocation from four HUD grants over the five-year period covered by the Plan, to address those needs. The four federal grants are CDBG, Housing Opportunities for People with AIDS (HOPWA), Emergency Solutions Grants (ESG), and Home Investment Partnerships Program (HOME) funds.

The process of developing the Consolidated Plan provides the City with an opportunity to address emerging needs and high priority issues. HUD requires that priorities are informed by extensive community engagement and a data-driven assessment of need.

There are five main priorities identified in the 2024-2028 Consolidated Plan:

1. Increase services and prevent people from experiencing homelessness;
2. Address needs of people impacted by mental health and substance abuse issues;
3. Equity in access to community infrastructure and recreation opportunities;
4. Increase economic development and job retraining opportunities for low- and moderate-income people and those disadvantaged in recovering from recent economic instability; and
5. Increase affordable housing options

The Consolidated Plan also includes the draft 2024 AAP that is required annually by HUD. The AAP must include specific, project-level details on how funds will be spent in a given year. The draft AAP is based on estimates of funding to be appropriated by Congress in upcoming federal budget actions. If Congress approves funding levels that are different from what is included in the draft AAP, HSD will make revisions to the final AAP that will be approved by City Council and submitted to HUD later in 2024.

The total estimated amount of funding for 2024 (Year one of the Consolidated Plan) is shown in Table 1. 2024 HUD allocations are assumed to be the same as what HUD allocated in 2023. Funding for Years two through five is projected to be slightly lower by one to four percent depending on fund source. Please see the section on the CDBG Clean-Up Bill (pg. 3 – 4 of this memo) for more detail on the \$7 million in prior year resources.

*Table 1. 2024 Total Estimated Funding*

| <b>Federal Grant</b> | <b>2024 Estimated Annual Allocation</b> | <b>Prior Year resources</b> | <b>2024 Estimated Total</b> |
|----------------------|---|-----------------------------|-----------------------------|
| CDBG                 | \$9,486,805                             | \$7,000,000                 | \$16,486,805                |
| HOME                 | \$3,717,743                             | \$0                         | \$3,717,743                 |
| HOPWA                | \$3,716,896                             | \$0                         | \$3,716,896                 |
| ESG                  | \$826,314                               | \$0                         | \$826,314                   |
| <b>Total</b>         | <b>\$17,747,758</b>                     | <b>\$7,000,000</b>          | <b>\$24,747,758</b>         |

Major changes to 2024-2028 Consolidated Plan & the Draft 2024 AAP

The only major changes to the Consolidated Plan and Draft 2024 AAP, as compared to the 2017-2022 Consolidated Plan and 2023 AAP respectively, are changes that enable the use of \$7 million in CDBG funding for community facilities. This includes adding a new priority in the Consolidated Plan to address the needs of people impacted by mental health and substance abuse issues, and adding a new project to the AAP’s spending plan for the creation of community facilities for people addicted to opioid and fentanyl that will be awarded through a Request for Qualifications (RFQ) process. HSD anticipates awarding contracts for the community facilities in 2024, which is why this project is included in the draft 2024 AAP.

On September 18, 2023, HSD updated its [2023 Notice of Funding Availability](#) document to reflect the new RFQ. The RFQ is anticipated to be released on November 1, 2023, with a contract start date in 2024. The RFQ will fund two types of facilities:

- Facility for a post-overdose subacute stabilization center(s) for individuals who have experienced an overdose, or any medical emergency related to substance use. This facility will provide medical stabilization for individuals in need of these services for up to 23 hours.
- Facility for an outpatient treatment center(s) for individuals with opioid use disorder and/or other drug dependencies that will offer low-barrier access

### CB 120669- CDBG Clean-Up Legislation

CB 120669 is partner legislation to CB 120668. CB 120669 does three things. It:

1. Trues up the 2023 Adopted Budget so that the City's total appropriation authority matches the available grant balances in IDIS, HUD's system of record regarding grant amounts;
2. Eliminates unneeded appropriation authority in five departments for CDBG dollars that were allocated in prior years but had gone unspent in prior years and/or were not in the current year annual action plan; and
3. Provides HSD with the appropriation authority needed to expend the \$7 million of CDBG on facilities for post-overdose and other substance abuse care.

The City is permitted to recapture prior year, unexpended CDBG funds and reallocate such funds for activities that are included in the City's approved Consolidated Plan. See below for further explanation of this recapturing process.

CB 120669 reduces appropriation authority in five departments by \$6,624,026 million while increasing HSD appropriation authority by \$7,167,136 million. Of that new appropriation authority, \$7 million will be added to the Promoting Public Health Budget Control Level (BCL), for the community facilities and \$167,136 will be added to the Supporting Affordability and Livability BCL. Central Staff has requested additional information about what that additional \$167,136 in appropriation authority is for. Table 2 shows more detail on the unexpended allocations from HUD, which total \$7 million.

Typically, the expectation would be that the total amount of appropriation authority being eliminated would match the total amount of appropriation authority being added. In this case, the amount of additional appropriation authority is \$543,110 greater than the eliminated authority. Additionally, the expectation would be that the total amount of reported underspend in Table 2 would match the amount of appropriation authority being eliminated. CBO's explanation for the discrepancy is that multiple errors had to be addressed in the process of trueing up among various systems, including IDIS and Peoplesoft, including incorrectly loaded appropriation balances.

As shown in Table 2, there were six departments with unexpended funds – Seattle Parks and Recreation (SPR), Office of Planning and Community Development (OPCD), Human Services Department (HSD), Office of Housing (OH), Office of Economic Development (OED) and Office of Immigrant and Refugee Affairs (OIRA).

*Table 2: Unexpended CDBG Funds by Department*

| Allocation Year | Department | Purpose                           | Amount           |
|-----------------|------------|-----------------------------------|------------------|
| 2019            | SPR        | Conservation Corps Parks Upgrades | \$197,248        |
| 2019            | OPCD       | Equitable Housing Initiative      | \$30,000         |
| 2020            | OPCD       | Equitable Housing Initiative      | \$390,000        |
| 2020            | HSD        | Minor Home Repair                 | \$449,917        |
| 2020            | OH         | OH Home Repair Program & Staffing | \$213,582        |
| 2021            | OED        | Neighborhood Business District    | \$880,124        |
| 2021            | OED        | Small Business Support            | \$70,000         |
| 2021            | HSD        | Homeless Services                 | \$369,009        |
| 2021            | HSD        | Admin & Planning                  | \$90,057         |
| 2021            | OPCD       | Equitable Development Initiative  | \$340,000        |
| 2021            | SPR        | Conservation Corps Parks Upgrades | \$360,439        |
| 2021            | OH         | Admin & Planning                  | \$71,761         |
| 2022            | HSD        | Admin & Planning                  | \$273,106        |
| 2022            | HSD        | Homeless Services                 | \$492,201        |
| 2022            | HSD        | Community Facilities              | \$1,000,000      |
| 2022            | OED        | Small Business Support            | \$1,107,000      |
| 2022            | OIRA       | Ready for Work                    | \$12,737         |
| 2022            | OPCD       | Equitable Development Initiative  | \$430,000        |
| 2022            | SPR        | Conservation Corps Parks Upgrades | \$222,819        |
| <b>Total</b>    |            |                                   | <b>7,000,000</b> |

HSD reports that funds were unspent for a variety of reasons, including challenging HUD requirements around procurement, prevailing wages, and environmental reviews, as well as significant COVID-related construction delays and staff turnover and vacancies. Funds must be spent within eight years of being awarded by HUD.

Historically, HSD reviewed grant balances for each of these fund sources annually and adjusted the AAP accordingly if there were unspent funds. Due to both staff turnover and HSD’s focus on deploying COVID dollars, HSD has not engaged in this annual review and adjustment process. HSD reports that they are working with the City Budget Office (CBO) to develop a standard process for tracking HUD funding going forward.

## **Issue Identification**

The four federal grants covered under the Consolidated Plan (CDBG, HOPWA, HOME and ESG) are placed into the General Fund rather than being placed into their own distinct fund, as had been the practice in past years. Because of that, it is challenging to monitor whether these funds are being expended, if there is a possibility to redeploy them to other uses, and, because these funds are restricted for specific purposes, if they are expended on only those authorized uses. The Executive identified \$7 million in underspend over four years, including as recently as 2022, and proposed a new use for them before Council had any knowledge that such a redeployment was possible.

Option: To provide transparent and accountable use of the use these funds, the Council could request that the Executive prepare legislation to create a sperate fund (or funds) for these recurring HUD grants and propose financial policies for the fund as appropriate.

Creating a new fund does introduce some administrative complexities, such as managing and monitoring the cash balances for a new fund, and additional reporting and monitoring. In establishing a new fund, the administrative complexities need to be considered alongside the need to provide greater transparency to track and monitor how the funds are used. A separate fund is a reasonable option, given the recent example related to CDBG underspend in previous years, and the need to ensure that these federal funds are not used for other general purposes that are supported by the City's general fund.

## **Amendment Deadline**

Amendments are due to Jennifer LaBrecque and Traci Ratzliff by 12 p.m., Friday, September 22, 2023.

## **Next Steps**

If the Committee votes to recommend passage of CB 120668 (Consolidated Plan) on September 26, 2023, the City Council will consider the legislation on or before October 31, 2023 (after the 2024 Proposed Budget is transmitted and Central Staff confirms that the Consolidated Plan aligns with the Proposed Budget). If the Committee votes to recommend passage of CB 120669 (CDBG Clean-up) on September 25, 2023, the City Council will likely consider the legislation at its next regularly scheduled meeting,

cc: Esther Handy, Director  
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