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Neighborhood Housing and Community Development Office

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Date: August 2, 2012

To: Mayor and Council

From: Betsy Spencer, Director *BS*
Neighborhood Housing and Community Development Office

Subject: Proposed Fiscal Year 2012-2013 Action Plan

This memorandum provides additional information regarding the City of Austin's Fiscal Year 2012-2013 Action Plan and highlights several departmental budget issues, including decreases in federal and local funds and new revenues and program initiatives. The Neighborhood Housing and Community Development Office distributed the Draft Action Plan June 1, 2012, which was the beginning of a 30-day community comment period. The City Council will consider an item on the Aug. 2, 2012, Austin City Council Agenda to approve the proposed Action Plan.

Action Plan

The Action Plan serves as the City of Austin's grant application for four entitlement grant programs awarded by the U.S. Department of Housing and Urban Development (HUD): Housing Opportunities for Persons with Aids (HOPWA) Program, Community Development Block Grant Program, HOME Investment Partnership Program, and the Emergency Solutions Grant. The Action Plan specifies to HUD how the City of Austin proposes to allocate \$10.8 million in combined federal funds. A Council approved Action Plan must be delivered to HUD no later than August 15, 2012.

Revenue

In Fiscal Year 2013, the Neighborhood Housing and Community Development Office (NHCD) estimates receiving \$9.1 million in new grant appropriations of CDBG and HOME. CDBG will provide \$6.7 million, a decrease of 2.7% due to reduced federal funding. Another \$2.4 million will come from the HOME Investment Partnership Program (HOME), which is \$1.6 million less – a 39.5% decrease.

The local revenue source is anticipated to be a \$3.2 million transfer in from the Sustainability Fund, an increase of \$0.5 million to address grant funding reductions, and a \$0.6 million General Fund transfer to the Housing Trust Fund. These sources support NHCD, the Housing Trust Fund and the University Neighborhood Overlay (UNO)–Housing Trust Fund.

The FY 2013 new funding for the Housing Trust Fund is \$602,132. A significant change in the department's FY 2013 budget submission is the proposed \$557K of Housing Trust Fund for 5 Full-time employees (FTEs). This is due to a direct loss of both CDBG and HOME administrative dollars over the past two years.

The estimated total available and total requirement for the Housing Trust Fund for Fiscal Year 2013 is \$1,176,488, which will fund housing, community development and support services activities. The majority of these funds have been committed to FY 2012 projects.

Program/Funding Impact

There have been a number of changes in the federal and state funding sources, which serve as crucial sources of revenue for community development and housing programs. Altogether, these funds in FY 2012-13 will comprise 60.3% of the department’s budget. However, federal funding awarded by the HUD has seen a steep decline over the past two years – with a net reduction of \$3.6 million combined in both CDBG and the HOME. The reduction in federal and local sources is expected to have the following impact overall to programs, most significantly are those that received General Obligation Bond funds and HOME funds. The department anticipates spending down the remaining \$55 million of the Affordable Housing Bonds in Fiscal Year 2012. The increase in Sustainability Funds has offset the decrease in CDBG.

| Program/Funding Source | FY 11-12 | FY 12-13 | Household Impact | Variance |
|---|-----------|-----------|------------------|----------------------|
| HOME Investment Partnership Grant (HOME) | | | | |
| *Tenant-Based Rental Assistance | \$510,300 | \$301,889 | (47) | (\$208,411) |
| Down Payment Assistance | \$871,933 | \$397,543 | (18) | (\$474,390) |
| Homeowner Rehabilitation Loan | \$1.2M | \$811,044 | (5) | (\$428,773) |
| Total | | | (70) | (\$1,111,574) |
| General Obligation (G.O.) Bonds | | | | |
| Architectural Barrier Removal | \$250,000 | - | (25) | (\$250,000) |
| GO Repair! Program | \$1.1M | - | (75) | (\$1.1M) |
| Rental Housing Developer Assist. | \$4M | - | (262) | (\$4M) |
| Acquisition & Development | \$1.2M | - | (16) | (\$1.2M) |
| Total | | | (378) | (\$6.6M) |

**NHCD has identified FY2012 unexpended funds in the Down Payment Assistance Program to increase accomplishments for Tenant-Based Rental Assistance*

Actions taken

The department continues to seek new revenue and program initiatives to respond to many of the needs of low-income residents. NHCD also has registered for funding through the Texas Department of Housing and Community Affairs (TDHCA) Reservation Systems for programs to provide home repair services for persons with disabilities.

Past actions in FY 2012 resulted in \$7.3 million in new revenue for the department, which the department has achieved with no added personnel. The department is administering these programs with no new personnel – rather reassigning personnel and duties to existing employees. These revenue opportunities and /or awards include:

- ▶ **\$1.6 million** in Neighborhood Stabilization Program-Program Income funding made available through TDHCA. These funds will be used for single-family construction for ownership and rental housing, providing for an alternate funding source to offset decreased federal funding.
- ▶ **\$5.5 million** from HUD for new programs, including the Challenge Grant award for \$3 million and the Lead Hazard Reduction Grant for \$2.5 million. NHCD is administering

these grant funds with no new full-time employees (FTEs). Current staff has been reassigned to these program areas.

- ▶ **\$250,000** from the U.S. Department of Health and Human Service for the Assets for Independence Demonstration Program. The program will assist the department in furthering its financial empowerment initiative through the administration of an Individual Development Account (IDA) program.

Unmet Needs

NHCD continues to address its unmet needs through various actions including those noted above; increased local funding proposed for FY 2013; as well as the departmental recommendation to use the Housing Trust Fund for increased operations expenses. However, the department does have a remaining unmet need of \$600K. This includes funding for several policy and planning initiatives linked to housing market analysis, permanent supportive housing evaluation tools and actions outlined in the Comprehensive Plan. In addition, \$100K remains unfunded for grant support for Community Housing Development Organizations.

As a result of the actions noted above, NHCD has been able to mitigate the vast majority of service impacts that otherwise would have resulted from the loss of federal funding. However, the department anticipates that grant funding will continue to be a challenge in FY 2013-14. More sustainable sources of funding for future years will need to be identified or programs and services may need to be reduced. The department, in conjunction with the corporate Budget Office, is planning to conduct a comprehensive review of its grant funded programs including funding options prior to the FY 2013-14 budget process.

I am available to provide additional information as needed.

cc: Marc A. Ott, City Manager
Bert Lumbreras, Assistant City Manager
Elaine Hart, Chief Financial Officer
Ed Van Eenoo, Budget Officer