

TO: Mayor Marchione and City Council

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DATE: May 3, 2011

SUBJECT: STAFF REPORT: REDMOND'S PARTICIPATION IN THE KING COUNTY COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) CONSORTIUM

REQUESTED DIRECTION

Staff is seeking direction from Council regarding Redmond's participation in the King County Community Development Block Grant (CDBG) Consortium for 2012-2014.

DESCRIPTION/BACKGROUND

Redmond is currently a general member of the King County Community Development Block Grant (CDBG) Consortium under an Interlocal Cooperation Agreement that expires at the end of this year. Until now, the City's only option related to CDBG has been either to participate in the consortium or not. Redmond's increased population (over 50,000) affects how we may choose to receive CDBG funding, depending on a determination to be made by the regional office of the Housing and Urban Development Department (HUD) in July 2011. However, the City is required to express its intent to King County regarding its participation in the consortium by the end of May 2011. This issue has previously been discussed at both the March 1, 2011, and April 5, 2011, Parks and Human Services Committee meetings.

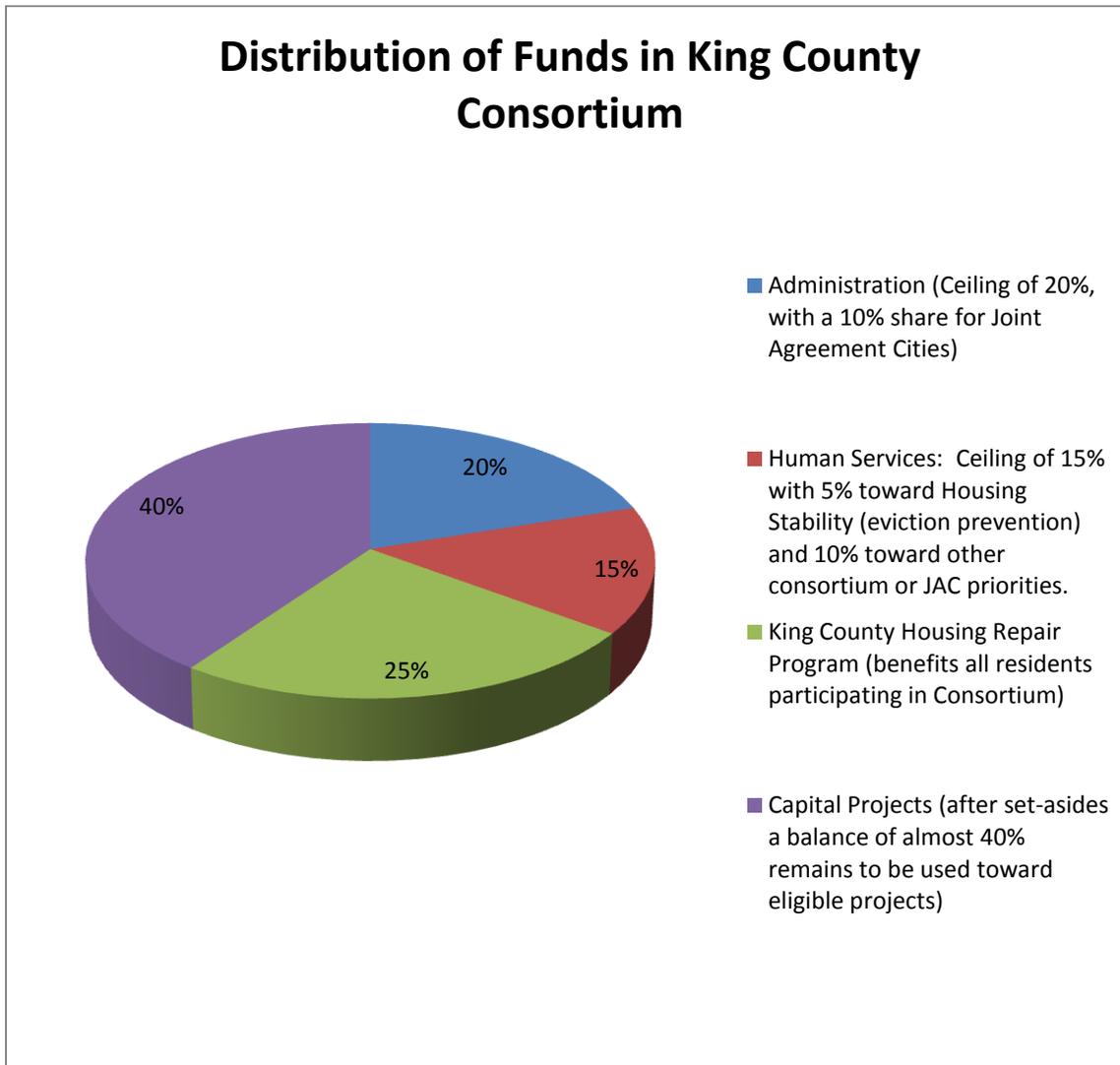
The purpose of this memo is to describe the options available to Redmond should we be deemed eligible under HUD's criteria, so that Council will have the information needed to provide direction for the City's expression of intent. In general, there are three possible ways to receive CDBG dollars. They are:

1. **Participate in the Consortium as a Joint Agreement City (JAC) with King County.** This would require executing a new interlocal agreement specific to this status for 2012-2014. (Note: Shoreline, Renton and Federal Way are currently Joint Agreement Cities. Kirkland is considering the Joint Agreement option for 2012 also).
2. **Participate in the King County Consortium as a general member.** This would require renewing the existing interlocal agreement for 2012-2014. (Note: Redmond is currently a member of the NE subregion along with Beaux Arts, Bothell, Carnation, Clyde Hill, Duvall, Hunts Point, Issaquah, Kenmore, Kirkland, Medina, Mercer Island, North Bend, Sammamish, Snoqualmie, Skykomish, Yarrow Point, and Woodinville.)

3. **Become a direct entitlement city.** Rather than participate as a member of the King County Consortium, the City would receive CDBG funding directly from HUD. This option would require cities to complete a consolidated plan addressing specific areas of community need no later than August 2012. The plan must be accepted by HUD before entitlement status is finally approved.

KING COUNTY CONSORTIUM CDBG DISTRIBUTION

Each year, depending on the federal budget, King County receives a total CDBG allocation for the consortium. That allocation is then distributed based on the interlocal agreements in place for that year and is divided as follows:



OPTION SPECIFICS

In addition to the narrative below, staff has prepared a chart comparing the options in Attachment A.

Regular Consortium Member/Sub-regional City (Status Quo)

Sub-regional cities in the consortium are eligible to participate on one of two inter-jurisdictional advisory groups. For the past six years, Redmond staff has been actively involved in the North and East inter-jurisdictional advisory group. The role of the advisory group is to develop funding priorities, review applications, and make funding recommendations for both human service and capital projects. The Joint Recommendations Committee (JRC), consisting of elected officials and director level staff from consortium cities, approves final recommendations.

When this structure was first established six years ago, the hope was that the sub-regional resources could be put to best use by consolidating them for larger projects all around the north and east sub-region of the county. But due to the restrictive criteria imposed by HUD, it can be difficult to identify eligible projects in some of our cities. Over the last six years, some of the capital projects that have been funded in the north and east sub-region include: rehabilitation of community facilities such as Elder and Adult Day Services and Northshore Senior Center; Duvall water main project which received large capital awards four separate years; a community well in Baring, a Skykomish Wastewater project, and various affordable housing projects in East King County through ARCH.

While the smaller cities do struggle to find funds for their large capital projects, such expenditures do not provide benefit across the sub-region. The cities of Kirkland and Redmond worked to identify affordable housing as a priority for our cities and with that were able to get agreement that 30 percent of the north and east share of capital dollars should support affordable housing investments. Eighty-five percent of that 30 percent goes to ARCH. Because not all cities in the consortium are part of ARCH, the remaining 15 percent is allocated to the King County Housing Finance Program. It is safe to say that Redmond residents have seen little if any benefit from the other capital investments.

Over this same period, the public service dollars have supported shelter and emergency assistance programs in North and East King County which are available to and utilized by residents throughout the sub-region.

Joint Agreement

Joint Agreement cities continue to maintain membership in the consortium but do not participate in the sub-regional advisory groups. Rather, Joint Agreement cities present both capital and human service funding recommendations to their own councils for approval. The City is responsible for sub-contracting the human services dollars to the selected agency, but King County administers all capital contracts. This is significant as capital projects often trigger complex requirements requiring stringent reporting and

potential audits. Capital projects must meet narrow HUD guidelines (i.e., benefit low/moderate income individuals) and be defined as an eligible CDBG activity such as public infrastructure within a city (e.g., sidewalk repair), community facilities, parks, affordable housing projects, and minor home repair programs.

Direct Entitlement

Should Redmond opt to receive CDBG dollars as a direct entitlement, the City would no longer be a part of the King County consortium. All funds would come directly to the City, as would all of the administrative requirements. Dollars would not be set aside for either the housing stability or housing repair programs, which would mean Redmond residents would no longer be eligible to access those services unless the City contracted for them separately. In addition, the City would be required to develop a consolidated plan detailing the community need for CDBG investment. HUD requires specific data collection, as well as public participation as part of the consolidated planning process. The plan would be due in August 2012. Federal Way staff anticipates spending between \$30,000 and \$50,000 for a consultant to develop a consolidated plan for their city. While the administrative dollars available under this arrangement would not have to be shared with the County, they would not be sufficient to cover the staffing that would be necessary to ensure compliance with all of the federal requirements related to these funds.

ANALYSIS OF OPTIONS AND STAFF RECOMMENDATION

Joint Agreement status seems to be the most logical direction for Redmond for the following reasons:

- Redmond will be able to allocate its own share of capital dollars.
- Redmond will receive some planning dollars in support of eligible CDBG activities.
- Redmond residents will continue to have access to the Home Repair program and Housing Stability program.
- King County holds the administrative burden for contracting, reporting, audits, and other HUD requirements. Redmond has also had a long-standing, positive working relationship with the County.
- In addition, the costs and risks associated with becoming a direct entitlement recipient of CDBG funds are too great relative to the amount of funding provided to make it a viable option.

PROCESS AND NEXT STEPS

Based on the direction from Council, staff will prepare a resolution to be adopted on May 17, 2011. This resolution would state the Council's preferred option and give the Mayor the authority to sign the appropriate Interlocal Agreement regarding the Community Development Block Grant program.

May 17, 2011	Adopt Resolution of Intent: Staff will draft a resolution for council adoption at this meeting and forward to King County as the City's expression of intent.
July 2011	HUD Eligibility Criteria: HUD will notify the City of its status in July 2011.
August 2011	Interlocal Agreements will be ready for signature

LIST OF ATTACHMENTS:

Attachment A: CDBG Comparison Matrix

ATTACHMENT A

CDBG Comparison Matrix—2012-2014

	Consortium Member/ Interlocal Agreement Required	Contributes to Housing Stability and Housing Repair Set-Asides	Contributes to King County Administration	Decision Making for Capital and Public Service Dollars	Meeting HUD requirements and Contracting Responsibility	Capital Dollars	Public Service Dollars
Status Quo	Yes-ongoing Interlocal	Yes 5% and 25%	20% shared by all regular members	Sub-regional advisory groups (North/East for Redmond)	King County is responsible for all administration.	About \$732,840 total NE share— allocated by subregional recommendation and JRC approval	About \$205,011 total NE share— allocated by subregional recommendation and JRC approval
Joint Agreement	Yes-new Interlocal	Yes \$17,295/ \$86,474	10% to city and 10% to county \$34,590 each	Redmond	HUD: King County has primary responsibility to HUD. Redmond is a subcontractor. Contracts: King County administers capital projects, Redmond administers public service contracts	\$127,378— allocated by Redmond	\$34,590—allocated by Redmond
Direct Entitlement	No	No— Residents could not access	No. City would Receive approx \$75,000 in admin support for staffing	Redmond	Redmond is responsible for all administration, including development of a Consolidated Plan and audit compliance.	\$224,000— allocated by Redmond	\$51,884—allocated by Redmond

NOTE: Set-asides and percentages are governed by HUD requirements and Interlocal Agreement. The projected amounts are based on historic CDBG allocations and assumes a 7.5% reduction in CDBG funding based on the President's budget proposal.