



Request for City Council Committee Action from the Finance and Property Services Department

Date: June 23, 2015

To: Council Member Lisa Goodman, Chair, Community Development & Regulatory Services Committee
Council Member John Quincy, Chair, Ways & Means Committee

Subject: 2014 Financial Status report on CPED Development Programs

Recommendation: Receive and File

Previous Directives: The Financial Policies adopted on December 11, 2013 as part of the overall 2014 budget directed that an annual report on the financial status of CPED's capital projects and programs be provided to the Community Development and Ways & Means Committees. The initial report, covering fiscal 2013, was provided to the Council in August, 2014; this is the second annual report, covering fiscal 2014.

Department Information

Prepared by: Jeff Schneider, Enterprise Finance Specialist, 673-5124

Approved by: Sandy Christenson, Finance and Property Services _____

Presenters in Committee: Jeff Schneider

Financial Impact

There is no current budgetary impact. See attached table for detailed 2014 year end financial information on individual programs.

Supporting Information

The Financial Policies approved as part of the 2014 budget process added a new annual reporting requirement for CPED development projects and programs.¹ This is the second such report, which summarizes the appropriation and spending status of CPED's major development programs and projects as of 2014 year-end. These Policies also set a four year time limit for all CPED development project and program appropriations (similar to the City's other capital programs), beginning in 2014, so the report includes information about the percent of appropriation, by program, actually spent in 2014. Projects which have not spent a minimum of 75% of their 2014 appropriation after four years [i.e. by the end of 2017] will need to obtain City Council approval to extend the appropriation.

Overall, CPED's major economic development programs spent 41% of their available 2014 appropriation, and housing programs spent 27%.

¹ See attached excerpt

Programs with significant uncommitted balances as of 2014 YE appear below, together with comments from CPED managers:

Table 1				
CPED Programs with significant 2014 YE uncommitted balances				
Program	2014 Appropriation	2014 Expenditures	Percent Spent	Unspent/un-committed balance*
Economic Development				
Great Streets – Federal Funds	1,728,927	(446,197)	25.8%	1,181,622
<i>In 2015, staff will seek to direct an additional \$300,000 in CDBG dollars to BTAP for business consulting to income-eligible entrepreneurs through a Sept RFP. This would leave \$800,000 available for Great Streets loans in 2015 and 2016.</i>				
Great Streets – Local Funds	2,872,158	(881,010)	30.7%	1,012,866
<i>As of late May, most of the 2014 YE balance has been allocated: \$330,000 for the Façade Grant Program on 2/13/15 and \$542,400 for the Business District Support program on 5/15/15.</i>				
Grow North	1,000,000	0	0%	600,000
<i>The \$200,000 encumbrance was a loan to West River Road Investments approved on 4/25/14; project still in construction, funds likely to be drawn Q2 2015. The \$200,000 in commitments reflects a 4/25/14 City Council action to allocate funds for down payment assistance for Grow North employee homebuyers. 3/20/15: Council Commitment for \$80,000 loan to Greenheck Fan Corp. Likely to close in Q2 or Q3 of 2015.</i>				
Capital Acquisition Revolving Fund	500,000	0	0%	500,000
<i>4/9/15: CPED director approval of 4146 Fremont Ave N property purchase, total expenditure of \$34,296.</i>				
Housing				
Vacant and Boarded Housing	3,531,609	(1,383,113)	39.2%	2,137,147
<i>Funds are earmarked for on-going property management, staff cost, and for future acquisition/demolition activities. It is anticipated that approximately \$1.5M will be expended by end of the CDBG program year.</i>				
High Density Corridor Housing	2,242,015	(144,405)	6.4%	2,097,610
<i>High Density Corridor Housing: \$728,000 is either spent (\$4,400), under contract to purchase property (\$501,600) including demolition and relocation costs), or reserved for acquisitions currently in negotiations. This amount (\$728,000) will be spent by the end of 2015. Due to the recent leadership vacancies in the multifamily housing unit, this program was not been actively marketed this last year. Staff will actively market the program with a goal of committing all remaining fund balance by 4/1/16.</i>				

Neighborhood Stabilization Program	4,003,964	(2,046,055)	51.1%	1,957,909
This federal grant award is a five part award earmarked to address the foreclosure crisis. The City, in collaboration with its development partners, is on track to meet all of the HUD grant timelines. This program recycles some of the original award in the form of program income. The use of the program income is limited to the original eligible uses of the grant.				
Affordable Homeownership-Combined	882,369	(265,217)	30.1%	617,152
This balance will be used for development and affordability gap assistance for "house move" projects that will support households at 80% AMI and interim construction financing for NSP programs.				
Affordable Housing Trust Fund	24,546,899	(4,252,101)	17.3%	551,150
Council commitments include 2013 allocations of \$7,085,000 and 2014 allocations of \$6,115,250. All of these council approved funding awards are for projects that are moving forward and expected to close in 2015 or 2016. All unspent/unobligated appropriations are projected to be fully encumbered or spent by 12/31/16.				

**After encumbrances and Council actions committing funds to specific projects are deducted from the unspent balance. These amounts appear in the attached table. It is important to note, however, that encumbrances or commitments do not always reflect imminent expenditure.*

HUD Finding

HUD routinely monitors the City's rate of CDBG spending. In April, HUD notified the City that its unspent CDBG balances exceeded HUD guidelines. The Grants Office in Intergovernmental Relations, Finance and Property Services, and CPED are currently working cooperatively on a response plan to reduce unspent balances by next April. This response is due mid-summer 2015.

Conclusion

This report provides annual program-level financial information on CPED's major development programs. The information is intended to assist CPED in managing their programs, and to assist policymakers in understanding the financial status of CPED's major development programs.

Financial Policies
Excerpt on Development Project and Program Status Report
Adopted December 10, 2014

Development Project Funding Allocations and Reappropriation. Beginning in 2014, appropriations for those development projects and program allocations, which by the end of four years including the appropriation year, have not moved forward toward implementation as indicated by a minimum of 75% of appropriation expended on tangible project activities are subject to expiration (i.e. unspent 2014 appropriation expires in 2018).

The mechanism for tracking appropriations for multi-year projects shall be an annual report to the Community Development/Regulatory Services, and Ways & Means Committees. The annual development project and program status report shall contain the following information by individual project or program:

- 1) Brief description
- 2) Year of original appropriation
- 3) Annual appropriation for most recent completed fiscal year;
- 4) Annual expenditures for most recent completed fiscal year;
- 5) Total outstanding encumbrances and Council commitments as of the most recently completed fiscal year end;
- 6) The unexpended and unobligated appropriation balance;

The 2015 report shall include 2014 information and will expand to include subsequent fiscal years in the future years. The 2018 report [with 2014-2017 information] shall identify those development projects and programs whose expenditures in the first year, i.e. 2014, did not meet the 75% of appropriation spending threshold as defined above, and therefore will be subject to having the unspent portion of the 2014 appropriation expire and available for reprogramming, subject to review by the City Council.