

City of Alexandria, Virginia

MEMORANDUM

DATE: MAY 29, 2003

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER *PS*

SUBJECT: CONSIDERATION OF BUDGET TRANSFERS OF COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) AND HOME INVESTMENT PARTNERSHIPS (HOME) PROGRAM FUNDS

**ISSUE:** City Council consideration of budget transfers of federal Community Development Block Grant (CDBG) funds and HOME Investment Partnerships Program (HOME) funds.

**RECOMMENDATION:** That Council:

- (1) Approve the following FY 2003 transfers to the Home Rehabilitation Loan Program (HRLP) and the Transitional Assistance Program (TAP):

<u>From Program</u>	<u>To Program</u>	<u>Amount</u>
CDBG Homeownership Assistance	CDBG HRLP	\$ 238,000
CDBG Fair Housing Testing	CDBG HRLP	<u>12,000</u>
<b>Total to CDBG HRLP</b>		\$ 250,000
HOME Homeownership Assistance	HOME HRLP	\$ 249,000
CDBG Eviction Storage	CDBG TAP	\$ 8,721

- (2) Approve the transfer of all FY 2004 CDBG and HOME program income from the Homeownership Assistance Program (HAP) to the HRLP in each grant account.

**DISCUSSION**

Home Rehabilitation Loan Program (HRLP) in the Office of Housing. In FY 2001, the City Council approved changes to the HRLP in response to federal regulations concerning lead-based paint abatement. These changes included granting the City Manager the authority to approve loans exceeding the City's \$90,000 construction cost limit to accommodate extensive

rehabilitation work in compliance with the new regulations, as well as an increase in the loan limits under the HRLP to allow a loan-to-value ratio of 110% when necessary to comply with these requirements.

As anticipated, the new federal regulations have substantially increased total rehabilitation costs, resulting in an increase in the average loan amount from \$45,452 in FY 2001 to a current year average of \$65,375. A total of five FY 2003 HRLP cases had lead abatement costs which necessitated exceptions to the standard \$90,000 construction cost limit.

The HRLP budget is divided because the program is funded by two federal funding sources: CDBG and HOME. The FY 2003 budget was prepared with an assumption of a total of 15 loans from both sources combined, at an average loan amount of \$57,600. However, it is now possible to have 16 FY 2003 loans, including 4 pending funding availability. The \$65,375 actual average loan amount in FY 2003 to date projected over 16 loans would leave a shortfall of approximately \$182,000. In addition, \$410,000 in anticipated funds to carryover into FY 2003 was short by \$177,000 due to larger average loans in FY 2002. Combined, the two shortfalls total \$359,000.

In addition to the FY 2003 shortfall, staff anticipates a possible shortfall in FY 2004. To help with that concern, staff recommends another \$140,000 be added to make excess HOME Homeownership Assistance Program (HAP) budget (due to program income as discussed below) available for use in the HOME HRLP in FY 2004.

Therefore, the total recommended transfer is \$499,000: \$250,000 to CDBG HRLP and \$249,000 to HOME HRLP. The \$249,000 HOME transfer will include both HOME grant funds and the federally-required City match.

Staff has identified two sources for the transfers: the majority of the funds will come from the City's CDBG- and HOME-funded Homeownership Assistance Program (HAP). While program activity in the City's homeownership programs has increased by 60% or more in FY 2003 compared to FY 2002<sup>1</sup>, the City has also received significant amounts of loan payoffs that have increased the HAP budgets in both grant programs beyond current needs. In FY 2003 to date, the City has received \$351,088 in CDBG HAP program income and \$286,255 in HOME HAP program income. Because of this income, as well as higher than anticipated carryover monies due to lower than budgeted activity in FY 2002, both HAP accounts have more than sufficient funds to meet the anticipated homeownership loan needs through the end of FY 2003. The CDBG Fair Housing Testing Program also has a sufficient fund balance for this transfer due to carryover monies from FY 2002 that will not be needed in FY 2003.

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<sup>1</sup> Number of loans in the HAP (both CDBG and HOME-funded) and Moderate Income Homeownership Program (MIHP, funded by the Housing Trust Fund) for each fiscal year are as follows:

FY 2002:	10 HAP	15 MIHP
FY 2003:	16 HAP	26 MIHP (projected)

In addition, based on program performance in FY 2003, staff recommends that City Council approve the transfer of all FY 2004 CDBG and HOME program income from the HAP programs to the HRLP in each grant account. This will help staff to use the monies where they are expected to be most needed in FY 2004. In the event the FY 2004 demand for the HAP program is such that either HAP account (CDBG or HOME) needs to retain its program income, the income will not be transferred.

The Transitional Assistance Program (TAP) in the Department of Human Services. The Office of Community Services (OCS) in the Department of Human Services operates two CDBG-funded homeless services programs. TAP offers financial assistance with relocation to permanent housing for eligible homeless families and individuals. The program will pay up to one-half of a security deposit and one-half of the first three months rent to help with the transition. The Eviction Storage program helps low income residents facing imminent eviction with the cost of moving and two months storage of their possessions while they make alternative housing arrangements.

OCS is seeking approval to transfer \$8,721 in FY 2002 CDBG carry-over funds from the Eviction Storage account to TAP. As of April 30, the TAP account balance was \$6,227. One hundred and twenty one (121) applications had been approved and an additional 15 were pending. In all of FY 2002, only 119 TAP cases were approved. OCS anticipates the transfer will enable the program to continue through the remainder of the fiscal year. The impact to the Eviction Storage will be minimal. The April 30 balance of this account is \$20,328. The transfer will return the account to the FY 2003 budgeted allocation of \$70,000.

**FISCAL IMPACT:** None. All monies in this transfer are included in the City's approved FY 2003 budget.

**STAFF:**

Mildrilyn Stephens Davis, Director, Office of Housing

Robert Eiffert, Deputy Director, Office of Housing

Jack Powers, Director, Division of Community Programs, DHS

Paul Doku, Budget Analyst, OMB