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City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 4, 2012

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: RASHAD M. YOUNG, CITY MANAGER

SUBJECT: REPORT ON OFFICE OF HOUSING GRANT REDUCTIONS AND PROPOSED FY 2013 BUDGET

ISSUE: Report on Office of Housing grant reductions and proposed FY 2013 Budget program and staffing reductions necessitated those reductions.

RECOMMENDATION: That City Council receive this report.

BACKGROUND: The Office of Housing and City affordable housing programs are funded with a combination of General Fund, Housing Trust Fund, and Federal Community Development Block Grant (CDBG) and Home Investment Partnerships Program (HOME) monies. The General Fund monies include the portion of the dedicated 0.6 cents of the real property tax for affordable housing that is not needed for debt service for previously issued general obligation bonds for affordable housing. The City's combined allocation of CDBG and HOME funds for FY 2013 reflects a \$905,611 or 46% reduction from the FY 2012 funding level. Taking into account all sources and uses (including carryover), the Office of Housing budget for FY 2013 (attached) totals \$6.6 million. However, when excluding carryover monies, the Office of Housing's budget has declined from \$10.8 million in FY 2008 to \$4.4 million as proposed for FY 2013, a cumulative reduction of 59%. As described in this memorandum, the federal grant reductions have resulted in the reduction of two staff positions and the virtual elimination of the City's three home purchase assistance programs and the Homeownership Counseling Program.

DISCUSSION: The reductions in federal CDBG and HOME monies resulted from two factors: decreases in the federal budget allocations for both programs, and new Census information that affected the City's relative standing with regard to the allocation formula for entitlement jurisdictions. The federal (percentage only) and City reductions are as follows:

	City FY 2012	City FY 2013	City Budget \$ Reduction	Federal (National) Budget % Reduction	City Budget % Reduction After Census Impact
CDBG	\$1,142,519	\$ 678,236	- \$464,283	-11%	-41%
HOME	815,124	373,796	- 441,328	-37%	-54%
Total	\$1,957,643	\$1,052,032	- \$905,611	-19%	-46%

With regard to the federal CDBG allocation formula, new Census information reflected that the City had lower numbers for total population, persons in poverty, and overcrowded households than the figures used to determine the prior year's allocation. This resulted in the City receiving a lower percentage of the national allocation for CDBG entitlement jurisdictions for FY 2013 than it received in FY 2012. Similar formula and Census issues affected the City's HOME allocation. The City's loss of \$905,611 in combined CDBG and HOME funds follows a prior combined reduction of \$323,346 from FY 2011 to FY 2012, which the Office of Housing was able to offset in FY 2012 with \$330,000 in unexpected HOME program income that had been received from the Alexandria Redevelopment and Housing Authority during FY 2011. The combined effect of the two years of reductions is a loss of over \$1.2 million in grant funds available for affordable housing and related activities.

FISCAL IMPACT: The City budget impact of the \$905,611 grant reduction is summarized below:

Grant \$ Eliminated (Difference FY 2012 to FY 2013)	
Eviction Storage (DCHS)	(\$ 50,000)
Homeownership Assistance Program	(\$584,005)
Admin. Activities (CDBG Program Admin, CDBG Apps, Fair Housing Testing, HOME Admin.)	(\$167,042)
Home Rehabilitation Loan Program	(\$ 88,703)
RAMP (all new \$ eliminated; funded with carryover only)	(\$ 32,500)
HOME Housing Opportunities Fund	\$ 16,639
TOTAL	(\$905,611)

Of the FY 2013 \$905,611 federal grant reduction, \$855,611 was to the Office of Housing budget, and \$50,000 was to the Department of Community and Human Services (DCHS) budget. DCHS chose to accommodate its \$50,000 reduction by eliminating its Eviction Storage Program. The Office of Housing's grant reduction was accommodated by eliminating the Homeownership Assistance Program (HAP), which was funded in FY 2012 with both CDBG and HOME monies in the amount of \$584,005¹, and by reducing various grant-funded administrative activities by \$167,042, the CDBG Home Rehabilitation Loan Program by \$88,703, and the CDBG Residential Accessibility Modification Program by \$32,500. The HOME portion of the Housing

¹ Figure includes \$90,979 in grant-funded partial personnel costs for two eliminated positions.

Opportunities Fund (HOF)² received a small increase of \$16,639 to utilize the entire non-administrative balance of the HOME grant, resulting in a net Office of Housing CDBG and HOME reduction of \$855,611.

The reduction in federal funds has caused a secondary impact in that it lowered the percentage of funds that can be used for certain designated administrative costs. The elimination of the HAP program includes the elimination of two partially HAP-funded Housing Program Specialist positions, with the General Fund portion of their personnel costs primarily used toward replacing fixed administrative functions that can no longer be funded with grant monies.

Eliminating these two homeownership staff positions caused a loss of staff capacity that necessitated the elimination of all homeownership loan programs—not only the grant-funded Homeownership Assistance Program (HAP), but also the Housing Trust Fund (HTF)-supported Moderate Income Homeownership Program (MIHP), and Employee Homeownership Incentive Program (EHIP). The resources for these programs will be shifted to the HTF portion of the HOF for affordable housing development and preservation activities. However, carryover funds and program income from the various homeownership programs will be used in a small Flexible Homeownership Program for loans that may be needed to assist purchasers of units that have covenants requiring affordable resale, as well as for special projects. The limited number of loans (approximately eight) for these purposes will be carried out by a funded Housing Program Specialist. Given the virtual elimination of homeownership loans, the Homeownership Counseling Program was proposed for elimination as well, with its resources also shifted to the HOF.

It was not possible to replace the loss of \$905,611 in federal grant monies with General Fund revenues in the Proposed FY 2013 Budget, as overall funding resources are limited. The sources and uses for the proposed \$6.6 million Office of Housing budget (including carryover) are attached.

ATTACHMENT: Sources and Uses, Proposed FY 2013 Housing Budget.

STAFF:

Mildrilyn Davis, Director, Office of Housing

Eric Keeler, Division Chief, Housing Program Administration

² This activity is also known as Housing Development Assistance in the City's HUD documents.

Office of Housing Proposed FY 2013 Budget
Sources and Uses
(\$ million)

Funding (Sources)	Program							Total
	Home-ownership	Housing Rehab	Housing Tenant	Landlord Tenant	Affordable Housing Development	Leadership and Grant Management		
CDBG*	.03	1.03	.02	0	.13		1.21	
HOME*	.04	0	0	1.57	.04		1.65	
GF	.04	.11	.42	.81	.78		2.16	
HTF	.21	0	0	1.37	0		1.58	

* Includes New Grant, Projected Carryover and Projected Program Income

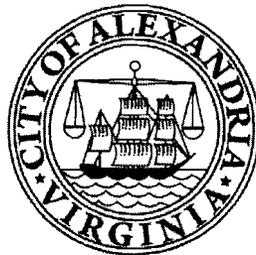
Note: \$0.07 million in CDBG Monies is allocated to Winter Shelter and Transitional Assistance Programs in the Department of Community and Human Services FY2013 Proposed Budget

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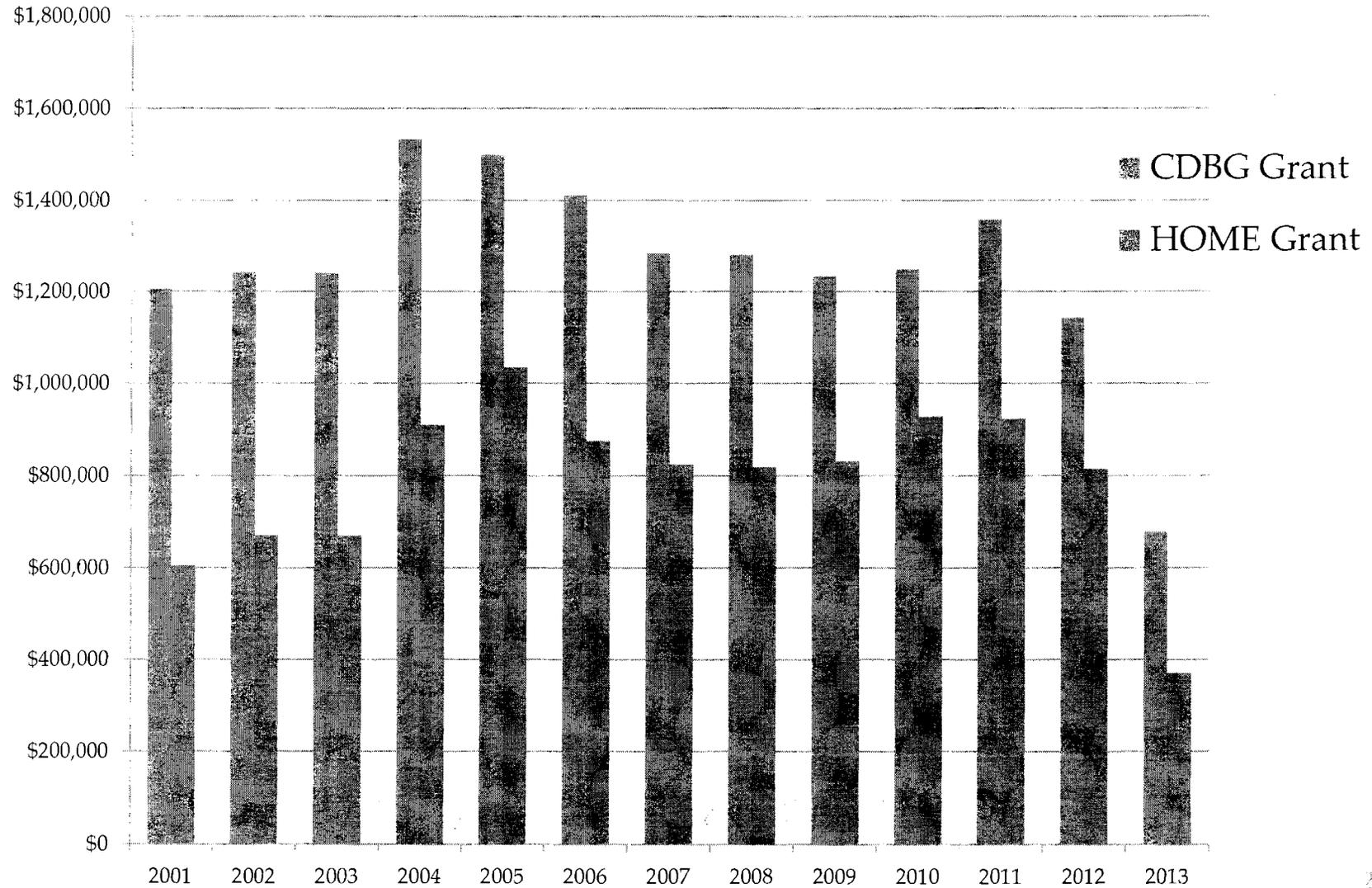
City of Alexandria, Virginia

Office of Housing Proposed Budget FY 2013

CITY COUNCIL
April 10, 2012



CDBG and HOME Grants



Federal Grant Reductions

Federal Budget Impact:

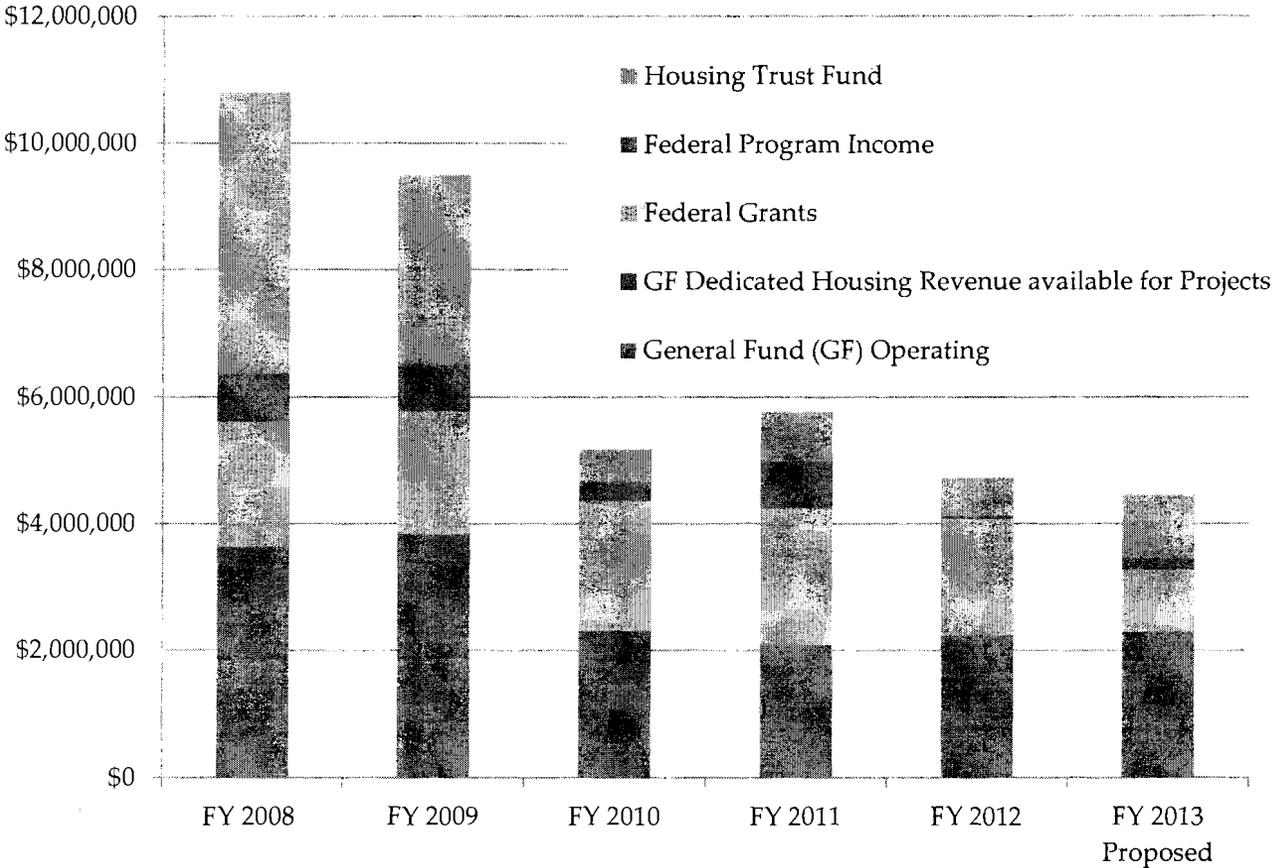
- CDBG allocation dropped 11%
 - \$3.303 billion in FFY 2011 to \$2.941 billion in FFY2012
- HOME allocation dropped 37%
 - \$1.59 billion in FFY2011 to \$ 0.998 billion in FFY 2012

Information from U.S. Department of Housing and Urban Development
Office of Policy and Development Presentation

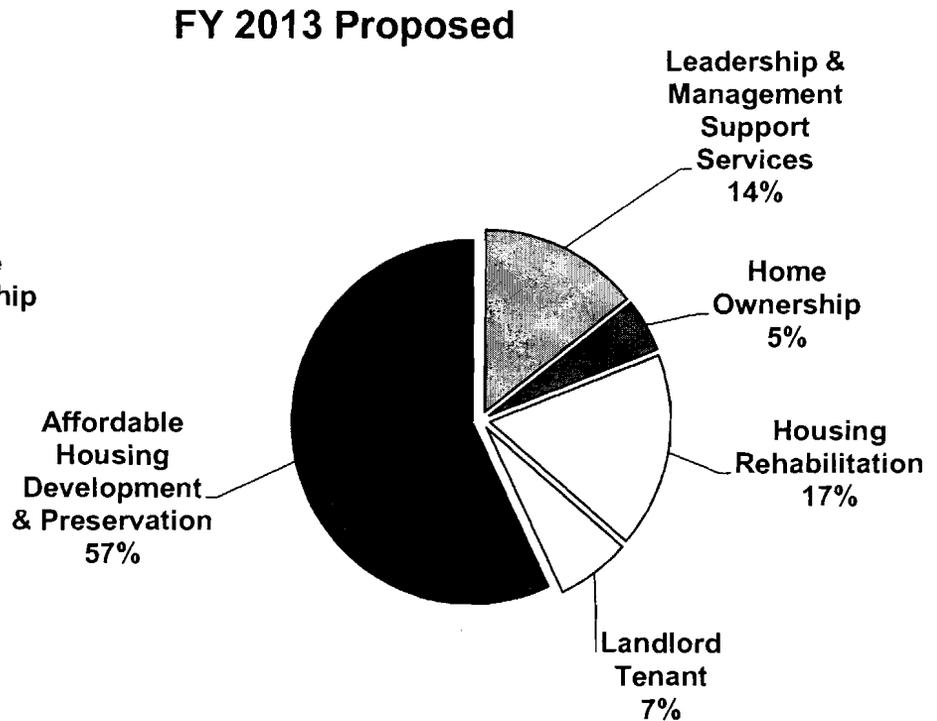
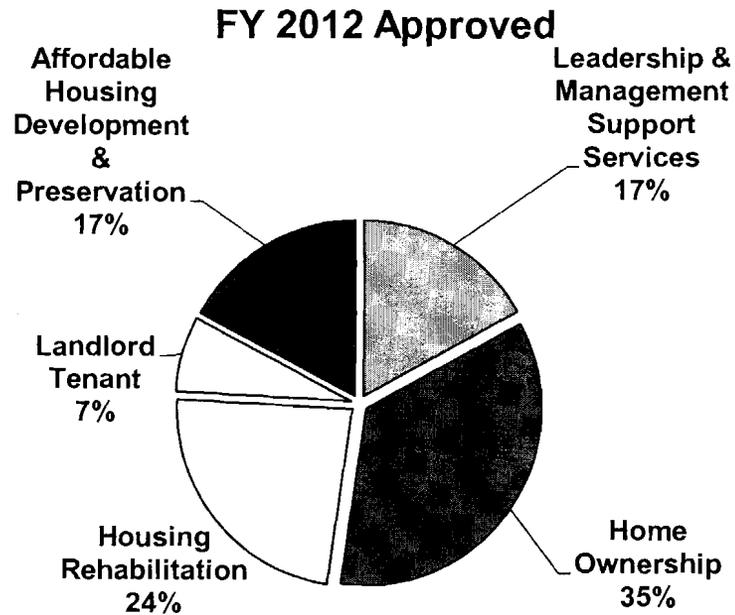
CDBG Formula	Population	Poverty	Overcrowding
Data			
FY 2011	150,006	11,279	5,124
Census 2010 & ACS 05/09 data	139,966	10,059	1,135
Change (%)	-6.7%	-10.8%	-77.8%
Share (%)			
FY 2011	0.06%	0.04%	0.09%
Census 2010 & ACS 05/09 data	0.05%	0.03%	0.04%
Change	-7%	-23%	-59%

HOME Formula affected by similar issues to CDBG

Office of Housing Revenue by Fiscal Year



Expenditure Comparison by Program



Program Changes

- o Direct Grant Cuts (CDBG/HOME)

- CDBG

- Homeownership Assistance Program (\$584,005)
 - Home Rehabilitation Loan Program (88,703)
 - Administrative activities (167,042)
 - Residential Accessibility Modification Program (RAMP) (32,500)
 - Eviction Storage (DCHS) (50,000)

- HOME

- Housing Opportunities Fund +16,639
- (\$905,611)

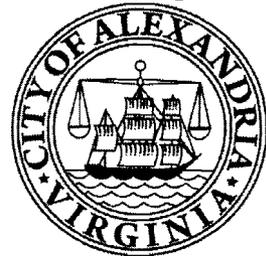
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City of Alexandria, Virginia

Hunting Point on the Potomac (aka Hunting Towers)



April 10, 2012



- **530 units of workforce housing**
 - 248 Efficiencies
 - 212 One Bedrooms
 - 70 Two Bedrooms
- **VDOT has increased rents to market in last few years**
- **130 "grandfathered rent" units remaining**
- **\$61 million City 2012 assessment**



Existing Conditions



- **Solid concrete and block construction**
- **Small units, limited ability to move upmarket**
- **Restricted redevelopment options**
- **Significant residual value "as is"**

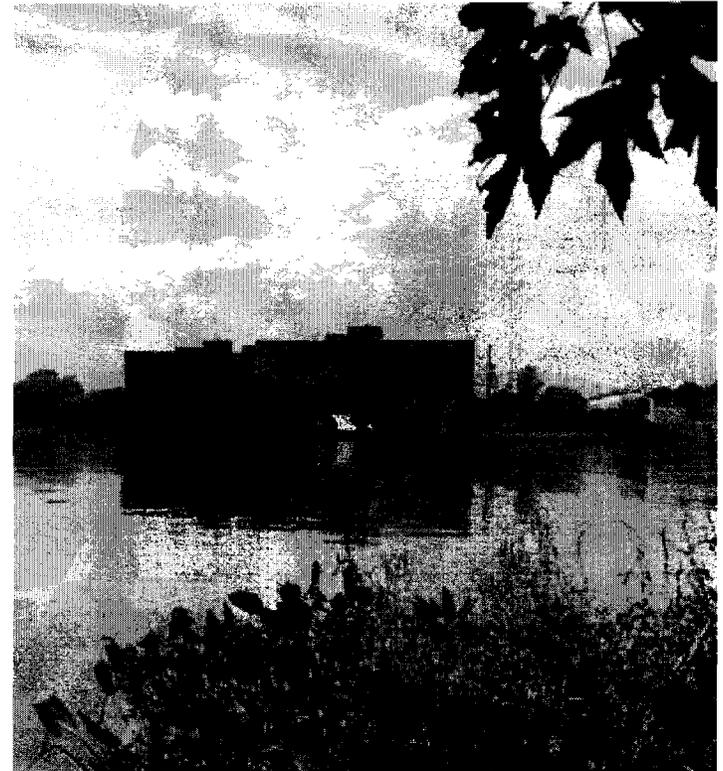
VDOT Planned Process

- **VDOT has already spent proceeds on WW Bridge project**
- **Expressions of Interest requested**
- **Due on May 28, 2012**
- **Information only, not binding**
- **Right of First Refusal to original owner**
- **If sale to original owner fails, then sealed bids from any party**



City Actions to Date

- **Ongoing inquiry of VDOT**
- **Advice against using EOI**
- **AHDC asked to review strategies to preserve affordability**
- **Discussions with private sector interests**



Next Steps

- Continue analysis and discussions
- Timing may be late summer/ fall until sealed bid process
- City does not have significant housing resources to buy or to loan
- Buydown of tranche of units to affordable level to be explored
- Work with tenants and provide information as requested

