



**King County**

**Metropolitan King County Council  
Budget and Fiscal Management Committee**

**STAFF REPORT**

<b>Agenda Item:</b>	8	<b>Name:</b>	Mary Bourguignon
<b>Proposed No.:</b>	2016-0480	<b>Date:</b>	October 25-27, 2016

**SUBJECT**

Proposed Ordinance 2016-0480 would make the Code changes necessary to consolidate two funds – the Federal Housing and Community Development and the Housing Opportunity Fund – into a new Housing and Community Development Fund.

**SUMMARY**

Proposed Ordinance 2016-0480 would make the Code changes necessary to combine two housing funds into a new Housing and Community Development Fund. The funds to be combined are:

- **The Federal Housing and Community Development Fund.** This fund was established to administer federal funding programs that support homeless prevention, housing repair, low-income and special needs housing development, and community development: Community Development Block Grant (CDBG), HOME Investment Partnership (HOME), Emergency Solutions Grant (ESG), and others.
- **The Housing Opportunity Fund (HOF).** This fund was created in 1990<sup>1</sup> to acquire, purchase, renovate, and construct housing for low-income families, seniors at risk of displacement and homelessness, homeless individuals and persons with special housing needs. The HOF has been funded with state and local dedicated funds, including the King County Veterans & Human Services Levy (VHSL), dedicated document recording fees, homeless housing funds, the Mental Illness and Drug Dependency (MIDD) Levy, Best Starts for Kids Youth and Family Homelessness Prevention Initiative, and other funding sources.

The proposed ordinance would not change the funds' revenue sources or their allowed uses. It would simply consolidate the two funds. Executive staff have stated that this consolidation is proposed to increase transparency on housing and homelessness spending. Passage of this legislation is necessary to adopt the Housing and Community Development appropriation unit as transmitted in the proposed 2017-2018 budget.

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<sup>1</sup> Ordinance 9368

## **BACKGROUND**

Proposed Ordinance 2016-0480 would make the Code changes necessary to consolidate two funds – the Federal Housing and Community Development and the Housing Opportunity Fund – into a new Housing and Community Development Fund. This new fund would hold and disburse \$170.6 million in revenues from federal, state and local housing and homelessness funding sources.

**Federal Housing and Community Development Fund.** The Federal Housing and Community Development (FHCD) Fund<sup>2</sup> was established to administer federal funding programs that support homeless prevention, housing repair, low-income and special needs housing development, and community development, including:

- **Community Development Block Grant (CDBG):** CDBG funds help develop viable urban communities by providing funding for decent housing, a suitable living environment, and economic opportunities, principally for those earning 80 percent of the area median income or less. CDBG funds can be used for a variety of activities, including property acquisition; demolition; rehabilitation; construction of public facilities, such as water and sewer facilities, streets, and neighborhood centers; energy conservation; and economic development and job creation activities.<sup>3</sup>
- **HOME Investments Partnership (HOME):** HOME funds are used to create affordable housing for low-income households.<sup>4</sup>
- **Emergency Solutions Grant (ESG):** ESG funds help individuals and families with temporary and permanent housing needs after experiencing a housing crisis or homelessness.<sup>5</sup>

King County's Department of Community and Human Services (DCHS) administers these funds on behalf of the County and most of the County's cities and towns using a HUD-approved "Consortium" model.<sup>6</sup> This model provides smaller jurisdictions with administrative support and efficiencies of scale, while allowing them to retain a level of

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<sup>2</sup> 4A.200.297

<sup>3</sup> The CDBG program was first authorized in 1974, and currently provides annual grants on a formula basis to states and local governments.

([http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/comm\\_planning/communitydevelopment/programs](http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/programs) )

<sup>4</sup> The HOME Investments Partnership is a Federal block grant program used to create affordable housing for low-income households. HOME funds are awarded annually as formula grants to participating jurisdictions. The program's flexibility allows States and local governments to use HOME funds for grants, direct loans, loan guarantees or other forms of credit enhancements, or rental assistance or security deposits. ([http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/comm\\_planning/affordablehousing/programs/home/](http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/affordablehousing/programs/home/) )

<sup>5</sup> Emergency Solutions Grant (ESG, formerly called Emergency Shelter Grant) funds are used to help individuals and families quickly regain stability in permanent housing after experiencing a housing crisis or homelessness. The Homeless Emergency Assistance and Rapid Transition to Housing Act of 2009 (HEARTH Act) amended the McKinney-Vento Homeless Assistance Act, revising the Emergency Shelter Grants Program in significant ways and renaming it the Emergency Solutions Grants (ESG) program. (<https://www.onecpd.info/esg/> )

<sup>6</sup> The King County Consortium is established and its duties outlined in K.C.C. 24.13. The City of Seattle participates in the Consortium for the allocation of state document recording fees, but receives and administers federal funds on its own, and so does not participate in the Consortium for those funds.

autonomy about the use of housing and community development funds in their communities.

The King County Consortium includes most of the cities in King County. Cities have different types of membership in the Consortium depending on their size and population, as well as, in some cases, their choice about whether to administer specific funding sources on their own or in partnership with the Consortium. Each different type of membership is governed by federal Department of Housing and Urban Development (HUD) regulations and an interlocal agreement between the County and the city.

The Consortium is guided by a Joint Recommendations Committee,<sup>7</sup> which is made up of local officials and which meets regularly to review and discuss funding recommendations and to provide advice on Consortium guidelines and procedures. The Consortium's recommendations on fund allocations are effectuated through the King County Consortium Consolidated Housing and Community Development Plan (Consolidated Plan), a planning document that must be updated and submitted to HUD every several years. King County's current Consolidated Plan, for the years 2015 through 2019, was adopted by the Council in June 2015.<sup>8</sup>

Revenues in the FHCD Fund are allocated based on the federal requirements for each funding source, as well as the policies outlined in the adopted Consolidated Plan.

**Housing Opportunity Fund.** The Housing Opportunity Acquisition Fund (HOF) was created in 1990 through Ordinance 9368 to acquire, purchase, renovate, and construct housing for low-income families, seniors at risk of displacement and homelessness, homeless individuals and persons with special housing needs. The County contracts with outside organizations, such as non-profit housing developers and human service providers, to develop and manage the housing and to provide needed services to the residents.

The HOF is funded through a variety of state and local dedicated funds, including the King County Veterans & Human Services Levy (VHSL), Mental Illness and Drug Dependency Levy (MIDD), Best Starts for Kids (BSK) Levy Youth and Family Homelessness Prevention Initiative, and dedicated document recording fees,<sup>9</sup> homeless housing funds, and mental illness funding sources.

Disbursement of funds within the HOF is undertaken consistent with the regulations governing each funding source.

**Proposed Consolidation of Funds.** Proposed Ordinance 2016-0480 would consolidate the two funds into a new Housing and Community Development Fund.

It would do this by repealing K.C.C. 4A.200.360, which regulates the Housing Opportunity Fund; and by amending K.C.C. 4A.200.297, which regulates the Federal

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<sup>7</sup> K.C.C. 24.13.020

<sup>8</sup> Ordinance 18070

<sup>9</sup> RCW 36.22.179 permits a dedicated \$40 surcharge on recorded documents from September 1, 2012, through June 30, 2019 to be used by counties and cities for homeless housing.

Housing and Community Development Fund, so as to change the name of the fund and to expand its uses to encompass both of the former funds.

### **ANALYSIS**

The proposed ordinance would consolidate two existing funds into one. It would not make any changes to the revenue sources directed into the new fund or to the regulations governing the uses of those revenue funds.

Executive staff have stated that this consolidation is proposed to increase transparency on housing and homelessness spending. Passage of this legislation is necessary to adopt the budget authority for the Housing and Community Development appropriation unit as transmitted in the proposed 2017-2018 budget.

### **AMENDMENT**

The ordinance as transmitted has a drafting error in Section 4.D. of the proposed ordinance (the legislation as transmitted did not use revision marks appropriately to show changes to the existing Code). Staff has worked with legal counsel and Executive staff to prepare a technical correction, which is included as Attachment 2.

### **ATTACHMENTS**

1. Proposed Ordinance 2016-0480
2. Amendment 1
3. Fiscal Note

### **INVITED**

1. Dwight Dively, Director, Office of Performance, Strategy and Budget
2. Adrienne Quinn, Director, Department of Community and Human Services
3. Mark Ellerbrook, Manager, Regional Housing & Community Development