

MEMORANDUM

Date: January 23, 2024
To: City Council
From: Brad Medrud, Planning Manager



CDBG Prioritization and Contingencies Discussion

On a three-year cycle, the City issues Requests for Proposals (RFPs) for federal Community Development Block Grant (CDBG) funds. In past years, the RFPs have been for services and capital projects that benefit low- and moderate-income persons in designated census tracts. In 2018 and 2021, the City prioritized affordable housing and public service activities and did not consider applications for public facilities or economic development.

1 – Background

In 2015, Thurston County became an Entitlement County pursuant to federal CDBG funds. In accordance with an interlocal agreement, Tumwater shares the annual CDBG funding on a three-year rotation with south Thurston County and City of Lacey. The City of Olympia has its own entitlement and is not part of the rotation. Tumwater has had funds in 2015, 2018, 2021, and again in 2024 and contracts with Thurston County Public Health & Social Services Department housing staff to provide the administration of the funds.

The primary eligibility requirement for any CDBG funds is that the project program principally benefits low- and moderate-income persons in designated census tracts. The U.S. Department of Housing and Urban Development (HUD) defines low and moderate income as a household that is at or below 80% of the median income for the area. HUD annually adjusts these income guidelines. Eligibility must be monitored for participants, or in the case of senior or houseless individuals, they are presumed to qualify.

The amount available each year is determined by Congress through HUD and is generally about one million dollars. Thurston County retains 20% of the total annual CDBG funding to cover the administrative costs. Up to 15% of the total annual CDBG funding may be used for social services and the remaining is designated for capital projects, economic development activities, public improvements, and public facilities. There are additional rules about eligible capital costs.

2 – Funding History

The history of previous awards is below. In previous years, the City issued an RFP for both services and capital projects. Proposals were not restricted specifically to those providing services inside the City of Tumwater, although the capital projects generally only occurred in

Tumwater. In 2018 and 2021, the City excluded public facilities and economic development from eligibility for services.

In issuing the RFP in 2018, the City made the following statement regarding priorities for funding:

The City of Tumwater is soliciting applications for Community Development Block Grant (CDBG) funding for eligible activities that provide affordable housing in Tumwater. In addition, up to 15% of the total CDBG allocation may be used for public services that serve low-income households, including job training; crime prevention; health services; services for homeless persons; substance abuse services; fair housing counseling; and education programs. Public service activities are available for services provided by organizations located in or locating to Tumwater, or that primarily serve residents of Tumwater. The public service funding is at the discretion of the City. Note that activities related to public facilities and economic development are eligible for CDBG funding and application materials may reference these types of activities. However, the City of Tumwater has prioritized affordable housing and public service activities and will NOT consider public facility or economic development applications.

In issuing the RFP in 2021, the City noted the following:

The City of Tumwater is soliciting applications for CDBG funding, which is available for projects that will either provide affordable housing in Tumwater or provide a public service to Tumwater residents. All projects must benefit low-and-moderate income persons.

Examples of eligible activities that would provide affordable housing include, but are not limited to:

- *Acquisition of real property that is or will be used to provide permanent affordable housing*
- *Repairs, rehabilitation and maintenance to homeowner occupied single-family homes (i.e. home repair program)*
- *Energy efficiency improvements to homeowner occupied single-family homes (i.e. weatherization program)*
- *Repairs and rehabilitation/preservation to multi-family rental units*
- *Repairs and rehabilitation/preservation to single-family rental units*
- *Water and sewer improvements in support of affordable housing units*
- *Homebuyer assistance (i.e. down payment assistance or buy down of a home's purchase price)*
- *Publicly owned infrastructure or offsite street improvements in support of housing units (i.e. repair or installation of streets, street drains, storm drains, curbs and gutters, or traffic lights/signs that are required per the City's permitting process in order to create or preserve housing units)*
- *Any combination of the above.*

Year	Organization	Activity	Amount
2015			
2015 Services			
	Boys & Girls Club of Thurston County	Scholarship Assistance	\$22,684.00
	Enterprise for Equity	Business and Financial Support Services	\$40,100.00
	Catholic Community Services SW	Community Kitchen	\$17,000.00
	Catholic Community Services SW	Drexel House	\$22,000.00
	Services Subtotal		\$101,784.00
2015 Capital			
	City of Tumwater	Pioneer Street Sewer	\$30,000.00
	Community Action Council	Deschutes Cove Sewer	\$504,838.00
	Homes First	Community Housing Development – Tumwater	\$116,936.52
	Rebuilding Together	Safe and Healthy Homes Program	\$33,351.21
	Safe Place	Community Service Center Improvements	\$40,000.00
	Capital Subtotal		\$725,125.73
2015 TOTAL			\$826,909.73
2018			
2018 Services			
	Boys & Girls Clubs of Thurston County	Scholarship Assistance	\$25,822.00
	Catholic Community Services SW	Community Kitchen	\$25,694.00
	Family Education and Support Services	Resilience Center Acquisition	\$120,000.00
	Services Subtotal		\$171,516.00
2018 Capital			
	Homes First	Affordable Rental Homes	\$437,480.00
	Interfaith Works	Regional Support for Community Care	\$32,236.00
	TOGETHER!	Tumwater Community Schools	\$92,699.00
	Union Gospel Mission	Genesis Acres Sewer	\$237,244.00
	Capital Subtotal		\$799,659.00
2018 TOTAL			\$971,175.00
2021			
2021 Services			

Year	Organization	Activity	Amount
	Boys & Girls Clubs of Thurston County	Tumwater Boys & Girls Clubs Scholarships for LMI Youth	\$56,640.00
	Catholic Community Services SW	The Community Kitchen (Tumwater – CDBG)	\$11,520.00
	Senior Services for South Sound	Home Share – Tumwater	\$16,047.65
	TOGETHER!	Tumwater Community Schools	\$100,000.00
	Services Subtotal		\$184,207.65
2021 Capital			
	Homes First	Affordable Rental Homes for Tumwater	\$200,000.00
	Housing Authority of Thurston County	Sequoia Landing – Phase II	\$267,414.44 ¹
	Rebuilding Together Thurston County	Critical Home Repairs – CDBG Tumwater	\$30,000.00
	SPS Habitat for Humanity	Critical Home Repairs – CDBG Tumwater	\$100,000.00
	SPS Habitat for Humanity	Tumwater Townhomes Buy Down	\$300,000.00
	Capital Subtotal		\$897,414.44
2021 TOTAL			\$1,081,622.09

The complete RFQ from 2021 is available at [2021 RFQ](#).

3 – Process

After the City Council determines the parameters for awarding the funds in this cycle, Thurston County Public Health & Social Services staff will administer the RFP, if it is desired, and any subsequent selection process. If an RFP is chosen for some or all the funds, the City Council will have to make decisions on how the funds will be allocated. That could be done by the City Council as a whole or by a committee. Presentations from applicants may or may not be required. Those decisions would have to be made by the City Council.

The City's selection of projects are recommendations that go to the County Board of Commissioners who have the final authority; as Thurston County is the legal entity for receiving the funds from HUD. Tumwater's decisions need to be made by late April or early May to allow

¹ The Council voted to award this amount upon the condition that the applicant is able to purchase the property by September 1, 2022. The Council unanimously decided that were the applicant to refuse the funding award or were it unable to meet the conditions of the award that the Council might first consider funding the applicant's purchase of the Oyo Tumwater hotel for conversion into multifamily rental units. If the Oyo project were found to be ineligible to receive CDBG funds, not a viable project or otherwise not suited for CDBG funds, the funding would then be distributed among Habitat for Humanity's Townhome Buy Down project and Homes First's Affordable Rental Homes with \$167,414.44 provided to Habitat and \$100,000 of the award provided to Homes First. Council further deliberated this item at the May 4, 2021 Tumwater City Council meeting.

Thurston County Public Health & Social Services staff to perform a risk assessment of projects and a few other activities in preparation for setting a public hearing, presenting the draft plan to the Commissioners for approval, and submitting the plan to HUD.

4. – Options

1. Issue an RFP, as the City has done in past years. This RFP would go out in late February at the same time as the other RFPs for County and RHC funding. If Tumwater wants to identify specific funding priorities to include in the RFP, Thurston County would need those by late January so they can finalize the application and RFP. Or, it can be open to any eligible CDBG-activity. The City would also need to specify if services are eligible and to what percentage, up to 15%.
2. The City Council can decide on its own to make one or more allocations, without going through the RFP process.
3. A combination of those two approaches by holding back a certain amount of funds for the City Council to allocate directly and use the RFP process for the remainder of the funds.

5. – Staff Recommendation

Given the need for additional housing and the priority that was set in the City’s Resolution No. R2018-016 adopting certain actions addressing affordable housing and homelessness, staff recommends that 80 percent of these funds that are at the discretion of the City Council be designated for the support of capital costs associated with the creation of new low-income housing in Tumwater, with a priority on leveraging additional investment in low-income housing. The remainder would be available to other eligible capital or service expenses, up to the maximum allowed. Thurston County would issue an RFP to solicit proposals pursuant to this direction.

Regarding the process for the allocation of the funds, staff recommend that the Budget and Finance Committee schedule a meeting in April 2024 to receive presentations and make recommendations to the full City Council for consideration.

6 – Schedule

RFP/Funding Process Timeline	
January 23, 2024	City Council work session – CDBG Prioritization and Contingencies Discussion
February 9, 2024	Information finalized for RFP Instructions/materials
February 23, 2024	RFP Issued
March TBD, 2024	Application workshop
April 5, 2024	RFP Closed
April 8, 2024	Thurston County Public Health & Social Services staff review applications for eligibility and risk

April 9, 2024	City of Tumwater to receive applications
April TBD, 2024	Presentations to Tumwater Budget and Finance Committee by applicants
May 7, 2024	City Council approves award recommendations
May 17, 2024	Annual Action Plan posted for public review and public comment period begins
June 18, 2024	Public Hearing and BoCC approval
End of June 2025	Thurston County sends conditional award letters to agencies, notifies agencies not selected for funding
September – October 2024	Contracts executed with funded agencies after grant agreement received from HUD and environmental reviews completed