

TO: City Council
FROM: Lisa Parks, City Administrator
DATE: July 23, 2024
SUBJECT: Interlocal Agreement and Memorandum of Understanding Between the City of Tumwater and Thurston County regarding the Community Development Block Grant Entitlement Program.

1) Recommended Action:

Approve and authorize the Mayor to sign the Interlocal Agreement and Memorandum of Understanding for joint participation and governance of the Community Development Block Grant Entitlement Program administered by the US Department of Housing and Urban Development.

The ILA and MOU are coming to the Council for action at a Work Session due to timing considerations and deadlines established by HUD that need to be met.

2) Background:

The Community Development Block Grant (CDBG) program is administered by the US Department of Housing and Urban Development (HUD), with a stated purpose of awarding grants to eligible communities to provide decent housing and a suitable living environment, and to expand economic opportunities, principally for low- and moderate-income people. Eligibility to participate in the program is based on population data provided by the US Census Bureau, and the allocation of funding is based on a statutory formula that includes factors such as the extent of poverty, population, housing overcrowding, age of housing and population growth lag in relationship to other metropolitan areas.

For the past several years, the City of Tumwater has participated with the City of Lacey and Thurston County in receiving and administering CDBG Urban County entitlement funds through an Interlocal Agreement (ILA) and an associated Memorandum of Understanding (MOU). The ILA primarily addresses the items that are required by HUD, while the MOU addresses how the parties agree the program will be administered. In general, the agreements outline a cooperative process to distribute the total, annual CDBG entitlement allocation on a rotating basis among the jurisdictions, with the County retaining 20% of the allocation each year to cover administrative costs.

The ILA establishes 3-year terms that begin on October 1 and end on September 30 of the following year. It also indicates the 3-year term will renew automatically, although the County is required to provide written notice to the parties of their right to *not* participate in the program for the new, upcoming 3-year term. September 30, 2024 is the end of the current 3-year term, and the Cities received the required notice from the County, asking for written notification if we were choosing to not continue in the agreement. Because the City of Lacey has reached the thresholds required to be considered an independent entitlement community, they notified the County and Tumwater that they would not be continuing in the current agreement.

Working collaboratively with the County, the current ILA and MOU being presented to the Council for review and action at this meeting reflect a two-party agreement that distributes

the total annual allocation of funds on a 2-year rotating basis, with Tumwater receiving the funds in even numbered years and Thurston County receiving the funds in odd numbered years. Because HUD's formula for allocating funds to Thurston County includes consideration of the population of other CDBG entitlement communities – the City of Olympia and (now) Lacey – the total annual amount of money will be approximately \$300,000 less.

In summary, these agreements (ILA and MOU) result in a reduced amount of total annual funds available to Tumwater, however, the City will have access to the total annual funds once every two years, as opposed to the current allocation of once every three years. For the County to meet the HUD-required timelines, both agreements must be approved and executed no later than August 15, 2024.

3) Policy Support:

Build a Community Recognized for Quality, Compassion, and Humanity.
Pursue and Support Targeted Community and Economic Development Opportunities.

4) Alternatives:

Do not approve the agreements.

5) Fiscal Notes:

Approval of these agreements will result in continued support for CDBG-eligible projects proposed and awarded within the City of Tumwater

6) Attachments:

- A. Interlocal Agreement
- B. Memorandum of Understanding