COUNCIL STAFF REPORT

CITY COUNCIL *of* SALT LAKE CITY

TO: City Council Members

FROM: Allison Rowland
Budget & Policy Analyst

DATE: February 7, 2023

Item Schedule:
Briefing: February 7, 2023
Set Date: n/a
Public Hearing: n/a
Potential Action: n/a

RE: INFORMATIONAL: TRANSPARENCY IN THE HOUSING STABILITY DIVISION BUDGET

ISSUE AT-A-GLANCE

The Administration has determined through an ongoing internal review that as of November 30, 2022, $20,412,990 in "dormant program income" and other funds were incorrectly accounted for by the Housing Stability Division in the Community and Neighborhoods Department (CAN). These funds are related to the Division's Direct Delivery Programs, through which tenants, homeowners, businesses, and developers receive federal Housing and Urban Development (HUD) support directly from the Housing Stability Division. The funds are not associated with the "pass-through" amounts that the Division distributes to external organizations which provide services to tenants and homeowners. The Administration is recommending several process improvements to ensure financial transparency in the future (see page 3 for details on the recommendations).

The approximately $20.4 million appears to have accumulated over decades, as the Housing Stability Division (previously known by several other names) continued to use financial practices which did not track the sources of these funds, and then allocated them in non-transparent ways. No evidence of financial malfeasance—such as missing or stolen funds—has been found either by the Administration or in the City's annual independent auditor reviews. Staff note: Over the years the Council has at various times inquired about budgeting practices with no clear resolution.

The Administration's transmittal identifies existing shortcomings and proposes improvements to bring the programs in line with current budgeting and transparency best practices, a process that will continue for several more years. It also reports that the Division's practice of budgeting program income in a non-transparent manner was rectified beginning in the FY23 budget, shortly after the problems began to come to light. In addition to the approximately $20.4 million, the Division has budgeted over $3.2 million to various Direct Delivery Programs that were reported to HUD. Accordingly, $3.2 million is currently being used for the

Direct Delivery Programs and $20.4 million is available for allocation, for a total of approximately $23.6 million (see Section A).

Note that the precise figures listed in the transmittal will be subject to some additional revision as the Administration's review continues. The Administration also anticipates policy discussions with the Council for each Direct Delivery Program on budgeting procedures, goals, activities, conditions, and approval processes, which will be formalized in either new legislative actions (resolutions/ordinances) or administrative policies and procedures. In addition, the City's Five-Year Consolidated Plan for HUD will need to be amended once decisions are made on new allocations.

Goal of the briefing: *Review and discuss the findings of the Administration's internal reviews of the Housing Stability Division's process of receiving, budgeting, and using funds related to their Direct Delivery Programs.*

ADDITIONAL AND BACKGROUND INFORMATION

A. **Direct Delivery Program Budgets.** After documenting approximately $12 million in the Housing Stability Division's "dormant" (surplus) HUD program income in May 2022, the Administration later determined that additional program income and other funds were available for allocation. The funds were generated through the Division's longstanding practice of operating an unofficial revolving loan fund to support housing activities, including property acquisition, housing development, and loans for homeownership and housing rehabilitation (see program descriptions in Attachment C1). In the Administration's words,

> "*the housing division has historically used supplemental funding that is budgeted annually through Other Fund, Miscellaneous Grants Operating (FC 72) and Housing (FC 78). There is a lack of transparency on the origination and uses of funding due to the way these funds have historically been budgeted.*"

Other City programs that provide loans typically operate as revolving loan funds, but one has never been formally established for the Direct Delivery Programs. Instead, revenue accumulated from decades of property sales and loan repayments and was held within the Division, rather than dropping to the City's fund balance to be re-allocated through normal budget processes.

The total funding available is $23.6 million as of November 30, 2022, from the sources described below. Of this amount, $2,452,095 was transparently budgeted through the annual HUD allocation process and $762,704 was non-transparently budgeted in previous fiscal years. Collectively, about $3.2 million has been budgeted to specific activities that were reported to HUD (see items 1 and 2 below), leaving approximately $20.4 million for allocation by the Council (item 3).

Type and status	CDBG	HOME	Other	Total
1. **FY22 & FY23 HUD Entitlement Allocation Balance.** Allocated through HUD Entitlement and Program Income. Budget and activities submitted to HUD.	$1,620,881	$831,214		**$2,452,095**
2. **FY21 and FY22 Active HUD Program Income Balance:** Allocated through HUD Entitlement and Program Income. Budget and activities submitted to HUD. The use of	$762,704			**$762,704**

this funding was not adequately identified at the time as Home Rehabilitation and Homebuyer Programs.				
3. HUD Program Income and Other Funds: These are cash totals available for allocation. *More information below.*	$5,739,448	$8,610,035	$6,063,507	**$20,412,990**
	$8,123,033	**$9,441,249**	**$6,063,507**	**$23,627,789**

Sources of funds budgeted by the Division through *Other Funds: Fund Class 72 and Fund Class 78* include the programs listed below.

American Dream Downpayment Initiative. 2003-07. This balance is program income that is treated as HOME program income and must be used in accordance with HOME regulations.	$48,100
Renter Rehabilitation. This program is inactive, but there are outstanding loans that generate program income.	$1,655,828
Riverpark. This program income was generated through a 1993 HUD Special Purpose Grant that was closed out in 2000. The Administration believes that HUD regulations no longer apply, and State and City codes now apply.	$2,977,851
Misc. Bank Funds. The origin of this funding is unclear.	$1,381,728
Total	**$6,063,507**

B. **Process improvements**. Recommendations from the Administration for process improvements in Housing Stability's Direct Delivery Programs are as follows:

1. **Establish Formal Policies and Procedures.** This would involve adopting policies and procedures that cover the goals, objectives, activities, and allocation process for these programs. Because the Direct Delivery Programs are funded entirely or in part with federal funds, which have their own requirements, the City would need to take them into account in its own policies and procedures and these would need to be revised when federal rules change.

   - ***The Council may wish to discuss the potential advantages and disadvantages of adopting formal policies and procedures in ordinance or resolution, versus requesting the Administration include them in the City's Policies and Procedures Manual, which can be amended or eliminated without noticing the Council.***

2. **Increase Budget Transparency.** This would be a change in Administrative practice to clearly identifying all budget information for each of these programs. The Administration indicates in the transmittal that in future budget proposals, it will submit information to the Council that shows the costs of each Direct Delivery Program, the revenues that the program generates, and performance metrics that help evaluate the program's effectiveness. The Administration stated:

> "*In effect, this will be a program-based budgeting model that provides a clearer picture of how much funding is being spent on each program, the services that [the] program delivers to residents, as well as how well the program is performing. Understanding the full costs associated with each program, along with the value of that program*

and whether the program generates revenue, will enable better decision-making throughout the budget process."

- ***The Council may wish to discuss with the Attorney's Office and the Administration how this process could be memorialized to help ensure that it is not abandoned sometime in the future without consulting the Council.***

C. **Alignment with the Open and Public Meetings Act.** Because the internal Housing Stability loan committees are not created by statute, rule, ordinance, or resolution, they technically are not subject to Utah's Open and Public Meetings Act (OPMA), according to the City Attorney's Office. Still, the Attorney's Office has advised that the City consider holding these as open meetings anyway. This situation would change once formal policies and procedures for the Direct Delivery Programs are established (see section 1 above), including the review and approval process. Currently, the Housing Stability Division is researching best practices for compliance with OPMA that maintain the confidentiality of applicants for these federal programs, as required by HUD, through consultation with other programs in the county and region.

- ***The Council may wish to inquire whether this research has turned up any promising alternatives and discuss potential options.***

D. **Establishment of an official Homeowner Revolving Loan Fund.** The Administration recommends that the current practice of operating the Homebuyer and Home Rehabilitation programs be formalized as revolving loan funds. This would allow the principal and interest payments of the outstanding loans (currently worth approximately $25 million) to be deposited there, with additional annual budget allocations "at the discretion of the City Council." The Administration further suggests that this revolving loan fund could be capitalized with either federal grant funding or existing funds uncovered in the Administration's review that are no longer use-restricted.

- ***The Council Members may wish to discuss their views of this program, which today serves about 575 borrowers, in the context of other potential uses for City funds.***
  - ***Would it make sense to shift some (or all) of the dollars in the "informal" revolving loan program to urgent needs in other City departments or simply to fund balance, provided that HUD rules allow this?***
  - ***Would allowing future repayments and interest to further increase the size of this revolving loan fund continue to undermine the Council's prerogative to allocate City budgets to different uses?***

ATTACHMENT

Attachment C1. Existing Direct Delivery Programs.

Attachment C2. Administration Responses to Council Staff Questions on December 30, 2022, Transmittal.

Attachment C1. Existing Direct Delivery Programs.

Twelve full-time Housing Stability staff members work directly with homeowners and prospective homeowners to promote safe, healthy, and affordable homeownership through the Direct Delivery Programs. All of these programs are funded through HUD, except for Fix the Bricks, which was shifted to Housing Stability in FY23 from the Emergency Management Department, and so is not included in the Administration's review of Division practices. As mentioned in the staff report, more detailed information will be provided by CAN in coming months on each program's budgeting procedures, goals, activities, conditions, and approval processes.

For now, Council staff provides the following summary based on information in the December 30, 2022, transmittal. CAN's responses to Council staff questions can be found in Attachment C2.

1. **Home Rehabilitation Program.** This long-standing program provides grants and loans to low- and moderate-income homeowners for major home repairs and replacements. Currently, the City holds 360 loans with roughly $5.6 million in outstanding debt. About 20 new projects are completed annually. The City's practice is to offer grants to households at or below 50% of area median income (AMI), and to offer loans to households at 51%-80% of AMI. Federal regulations state that households that earn over 80% of AMI are not eligible for this program. Depending on the beneficiary household's needs and qualifications, loan terms range between 5 and 25 years at or below an interest rate of 3%.

   Loan default rates typically have been low for this program because recipients can request deferrals or modified payment plans, which are governed by Housing Stability's internal policies and procedures, and additional flexibility was granted during COVID. The Division reports that no beneficiaries are in default at the moment, but about 130 loans (about 25% of the total) have been deferred.

2. **Homebuyer Program.** This program provides mortgage financing for low- and moderate-income households. About two or three new mortgages are issued each year, and currently there are about 215 mortgages, with $19 million in outstanding debt. In the past, the Division also has purchased property and developed single-family homes to offer for sale through the program.

   The City also includes a "buyback" provision, or right of first refusal, in this program, which is valid during the first 15 years of each mortgage. This allows properties to become part of the Community Land Trust (see below) should the homeowner decide during that time.

3. **Community Land Trust (CLT).** Seventeen single-family homes currently are part of this program, which offers available homes at prices that represent only the house itself, and not the land on which it sits, which is leased to the homeowner by City. Mortgages for these homes are offered through the Homebuyer Program (see above) and when homeowners decide to sell, they split the accumulated equity with the City. CAN acknowledges in the transmittal that,

   > "*As currently operated, the CLT is not a traditional model where homes are developed and placed into a land trust." The Department also suggests that the roughly 215 homes that currently have mortgages with the Homebuyer Program offers "significant opportunity to continue to grow the CLT by acting on the buyback provision.*"

4. **Targeted and Small Repair (formerly Handyman) Programs.** This program consists of two parts:

a. One-time grants of up to $50,000 to low- to moderate-income for about 15 households annually for repairing major structural and/or mechanical component deficiencies in their home.

b. Grants of up to $1,000 per year provided to about 30 seniors and/or persons with disabilities for small household repairs.

5. **HOME Development Fund.** This program provides loans for the acquisition, development, or rehabilitation of about two affordable housing projects each year through the HUD HOME Investment Partnerships Program. This funding is set aside for housing development activities undertaken by a Community Housing Development Organization (CHDO), a specific type of nonprofit developer. Housing must be offered at approximately 60% AMI and below, and the affordability term is five to twenty years for rental and homebuyer projects. (A different area of HUD's HOME Investment Partnership Program provides rental assistance, as noted in the transmittal's Exhibit A.)

   In response to a Council staff question about how development and rehabilitation projects using these funds differ from what the RDA offers through the Housing Development Trust Fund, the Administration stated that the differences primarily relate to HUD requirements attached to the HOME funding source. Specifically, these include the following:

   - Eligible recipients of funding are limited to qualified CHDO organizations (private, non-profit, community-based organizations that develop affordable housing);
   - Strict funds expenditure deadlines;
   - A 25% dollar-for-dollar match for funds awarded;
   - 20 years of HUD-specified project compliance monitoring by City staff;
   - Applicable Davis-Bacon, Section 3, and other federal labor requirements;
   - HUD-specific environmental reviews;
   - HUD-specific tenant lease provisions;
   - Adherence to the Uniform Relocation Act, the Fair Housing Act, and the Violence Against Women Act.

   The Administration suggests that if this program were transferred to the RDA, Housing Stability staff would need to continue to determine project eligibility, facilitate any necessary financial and/or construction oversight, and carry out ongoing compliance monitoring, because the Division has the expertise and skill set to manage HUD dollars, as well as the responsibility to comprehensively track HUD funds.

6. **Neighborhood Business Improvement Program.** A program that supports local for-profit businesses by offering up to $50,000 in HUD Community Development Block Grant (CDBG) grants to improve their façades. The number of projects funded per year has varied depending on the level of funding allocated by the City Council. Businesses must be located in target areas, which are updated periodically, and preference is given to small and local businesses. The Housing Stability Division coordinates with the Department of Economic Development on this program.

7. **Fix the Bricks.** This program provides financial assistance to homeowners for structural reinforcement of unreinforced masonry. Assistance may be provided to households at any income level, and covers 75% of the cost of reinforcement, with homeowners responsible for the remaining 25%, and it has a very long waiting list for this assistance. Fix the Bricks is the only Direct Delivery Program that is not funded with HUD dollars, but rather, through the Federal Emergency Management Agency (FEMA). Prior to FY23, the program was administered by the City's Emergency Management Department.

Attachment C2. Administration Responses to Council Staff Questions on December 30, 2022, Transmittal.

1. **Home Rehabilitation Program.** The transmittal states that "approximately 20 new projects are completed on an annual basis." So that we can include this information in the public record and in one spot, could you tell us more about the basics of this program? For example,

   Note: Housing Stability has been administering its programs pursuant to internal policies and procedures. While these policies and procedures align with HUD regulations, the Administration has identified the need to have formal policies and procedures that are adopted either through resolution or administrative rule and also align with HUD regulations. The Administration is preparing comprehensive information on each of the programs' goals, eligible activities, approval process, deferment/modification criteria, reporting requirements, etc. for the Council's consideration.

   a. What factors determine whether to offer a grant versus a loan to each applicant?

      HUD allows entitlement municipalities to provide funding as a grant or as a loan to certain HUD-eligible activities. For the City's Home Rehabilitation Program, the current practice is to offer a grant to households at or below 50% of area median income (AMI) and to offer a loan to households at 51%-80% of AMI. Pursuant to federal regulations, households over 80% of AMI are not eligible for this program.

   b. What is term and interest rate of these loans?

      HUD does not specify ranges or caps for interest rates for loan-based activities. However, HUD does require many provisions and protections for loan-based activities to align with industry standards and to safeguard low-income beneficiaries. For the City's HUD Home Rehabilitation Program, the current practice is to issue loan terms between 5-25 years at or below a 3% interest rate, dependent upon the beneficiary household's needs and qualifications.

   c. What are the average default and repayment rates?

      Historically, loan default rates have been low for the City's Home Rehabilitation Program due to the ability of the recipients to request deferrals or modified payment plans as guided by current internal policies and procedures. Additional flexibilities were granted during COVID, partially as a response to a HUD mandated moratorium on foreclosures. At the present time, there are no beneficiaries in default. There are currently ~130 deferred loans, or about 25% of the active loans.

2. **HOME Development Fund**.

   a. What share of these has gone to rental assistance (versus affordable housing development and rehabilitation) in recent years?

      The historical intent of the HOME Development Fund is to utilize the required Community Housing Development Organization ("CHDO") set aside. According to HUD regulations, eligible activities for the CHDO set aside include: the acquisition and/or rehabilitation of rental housing; new construction of rental housing; acquisition and/or rehabilitation of homebuyer properties; new construction of homebuyer properties; and direct financial assistance to purchasers of HOME-assisted housing that has been developed with HOME funds by the CHDO. Rental assistance is not an eligible use of the CHDO set aside.

      Rental assistance activities are funded by other HUD HOME funds under Tenant Based Rental Assistance (TBRA) and allocated annually by Council to external organizations. Historically, approximately 40% of the City's total annual HOME entitlement award has been directed towards rental assistance activities.

b. Apart from the funding source and the requirement to work with a CHDO, how does development and rehab using these funds differ from what the RDA offers through the Housing Development Trust Fund?

The differences primarily relate to HUD requirements attached to the HOME funding source, including the following:

- Eligible recipients of funding are limited to qualified CHDO organizations (private, non-profit, community-based organizations that develop affordable housing)
- Strict funds expenditure deadlines
- A 25% dollar-for-dollar match for funds awarded
- 20 years of HUD-specified project compliance monitoring by City staff
- Applicable Davis-Bacon, Section 3, and other federal labor requirements
- HUD-specific environmental reviews
- HUD-specific tenant lease provisions
- Adherence to the Uniform Relocation Act, the Fair Housing Act, and the Violence Against Women Act

Some of these requirements, such as the HUD environmental review, can impact a project's eligibility for funding. Other requirements, such as Davis-Bacon can cause an increase in development costs and trigger special monitoring requirements before, during, and after construction.

c. Are there specific barriers to shifting administration of these funds to the RDA, given the previous policy guidance from the Admin/Council?

It is the Administration's understanding that these funds were not flagged to be transferred to the RDA because of the HUD requirements listed above. If these funds were transferred to the RDA, because the expertise and skill set to manage HUD dollars resides only in Housing Stability and not in the RDA, as well as the need to comprehensively track HUD funds collectively, Housing Stability staff would need to continue the necessary oversight to determine project eligibility, facilitate any necessary financial and/or constriction oversight, and carry out ongoing monitoring of compliance.

3. **Establishment of a Homebuyer and Home Rehabilitation Revolving Loan Fund.** Is there a legal or policy reason for any unused funds not to simply drop to Fund Balance each year (as happens with other City programs), with new amounts (aside from CDBG program income) subject to annual appropriations?

There are financial and policy reasons to formalize a revolving loan fund ("RLF") for the homeownership programs, as follows:

- The City has various RLFs that are pools of capital from which loans can be made for various public purposes (i.e. the RDA Loan Program, various RDA housing funds, Economic Development Loan Fund). Establishing a Homeownership RLF will align with City practices in Economic Development and the RDA.
- If the cost center is not treated with a RLF model, unencumbered funds, including the ongoing accumulation of principal and interest payments, would drop to fund balance each year. Establishing a Homeownership RLF will ensure that the initial capital allocated to homeownership will grow and revolve, thereby continuing to address the policy goals of homeownership. As loans are repaid, the capital is then reloaned for another project, subject to annual budget appropriations by the Council. If defaults remain low, RLFs can be replenishing sources of capital that are recycled over and over again to fund projects well into the future.
- There can be a significant time gap between the approval of a loan and encumbering the funds due to closing timelines. If the cost center funds drop to fund balance each year, if is more difficult to commit funds nearing the end of a fiscal year.

- Establishing a RLF with formal policies and procedures will provide transparency and legislative oversight that has been lacking in the past. The Council would have the opportunity to allocate budget on an annual basis for new loans.

4. **Community Land Trust.**

   a. Would it be possible to streamline administration of the CLT by combining it with the RDA's Westside Community Initiative, with the understanding that funding streams would be kept separate?

      Currently, the City has one Community Land Trust (CLT) administered by Housing Stability. The City owns the land and ground leases it to the homeowner at a reduced rate. The homeowner owns the house and has typically purchased it with a mortgage loan from the City's Homebuyer Program. The homes are subject to use restrictions where the homeowner and City share in the equity and the City retains a right of first refusal to repurchase the house and restrict ownership to 80% and below AMI.

      Whether the existing CLT could be combined with the RDA's Westside Community Initiative depends on the structure of any forthcoming program that stems from the adopted Westside Community Initiative's policy priorities. RDA Resolution 1 of 2022, *Repealing and Replacing the Housing Allocations Funds Policy*, establishes a housing fund within the RDA called the Westside Community Initiative Fund that is sourced by Inland Port Housing Funds. Further, this resolution establishes broad uses of the funds to include any eligible activity under Section 11-58-601(6)(b) of the *Utah Inland Port Authority Act*, including land acquisition, construction, rehabilitation, etc. for affordable housing. The resolution also establishes a variety of policy priorities, one of which is to "give lower income households the opportunity to build wealth through homeownership and shared equity models of development." The RDA has yet to structure a shared equity project/program that is based on this policy priority.

      Shared equity models of development could be structured in a range of ways, from a traditional CLT that is comprised of multiple single-family homes to a limited equity cooperative in which the residents of a multifamily building purchase shares in the single development. As such, more details are needed on the RDA's forthcoming projects/programs to be able to advise on the streamlining of CLT/shared equity functions. Housing Stability's CLT program is limited to single-family homes and is linked to the Homebuyer Program as further discussed in 4(b) below.

   b. While the names and terminology are different, it seems that the overall goals are very similar. Is there a legal or policy reason for the City to have two similar programs operating in different departments?

      As with the previous response, more details may be needed to adequately address this question. However, it may be helpful to consider that in recent years, the RDA has been focusing on housing development through resources provided to *developers* (consistent with the Council's direction when moving the HTF), while Housing Stability has been focusing on housing programs through resources provided directly to *tenants and homeowners*. The CLT as currently administered by Housing Stability is an extension of the HUD-funded Homebuyer Program, focused on the issuance and administration of mortgages to qualified households rather than the development of new housing stock. Homes that have been issued a mortgage through the Homebuyer Program have been repurchased by the City, pursuant to a right of first offer, and placed into the CLT program. A new homeowner purchases the home with a mortgage through the City's Homebuyer Program with the City retaining ownership of the land and ground leases it to the homeowner. As such, the current CLT is primarily the administration of mortgages to CLT homeowners rather than a program that develops new housing stock.

      Since the current CLT is focused on the administration of below-market mortgages to CLT homebuyers utilizing HUD funding, there could be a scenario in which the RDA works with

developers to construct new housing units that are placed into the CLT and Housing Stability works with *homebuyers* to issue mortgages on the CLT units. City-issued mortgages are an important component to the CLT program, as they remove complexities with educating banks on the CLT structure, they further affordability, and they allow more families to qualify for a mortgage. This would keep with the current practice of the RDA working with developers and Housing Stability working with tenants and homeowners.

5. **Impact Fee Waivers.**

   a. Does this program still operate?

   Yes, the program still operates pursuant to City Code 18.98.060. Housing Stability guides developers of eligible affordable housing projects though the process to request Impact Fees and other development fee waivers, with the Director of Community and Neighborhoods charged with final approval authority.

   b. Are there reports or metrics you can share with the Council and the public about the number of units receiving waivers, or the dollar figure? This may be valuable information to share with State legislative officials as well.

   Yes, this information is tracked by the Housing Stability Division and is used as part of the City's HUD HOME funds 25% dollar-for-dollar required match. For more information, please see the enclosed Impact Fee Waiver accounting document.

6. **Renovation Pilot Program (Renter Rehab Program).**

   a. Does this program still operate?

   The last loan for this program was issued in 2017. This program is currently on hold pending a policy conversation with Council and further direction.

   b. Are there metrics or reports you can share with the Council/public about this program?

   Since the last loan was provided in 2017, Housing Stability staff is in the process of gathering metrics on program outcomes through historical documentation.

7. **Neighborhood Business Improvement Program**.

   a. How much funding has this program received in recent years?

   For FY 22-23, the Council allocated $650,000 in HUD CDBG funds to this program. The Council has allocated an average of $420,000 in HUD CDBG per fiscal year to this program.

   b. How does this program compare or coordinate with programs offered by the Department of Economic Development? Are they distinct enough to operate in two separate departments?

   Pursuant to HUD regulations, the NBIP has a narrow focus limited to capital costs and associated fees for the improvement of building facades for local, for-profit businesses from CDBG dollars. Whereas the Economic Development Loan Fund ("EDLF") is available for broader types of businesses and uses from City general fund dollars.

   As with the response to question 2(b), administration of this program comes with HUD restrictions attached to the HUD funding source, including Davis-Bacon, Section 3, other federal labor requirements, environmental review requirements, deed-restriction requirements, strict expenditure deadlines, and specific target areas as determined by HUD. Due to the centralization of HUD expertise in Housing Stability, Housing Stability has administered the program but in close coordination with the Department of Economic Development (DED).

8. **Fix the Bricks.**

a. Given the popularity of this program and the lengthy waiting list, is there any reason new applicants to this program should not be restricted to low-income homeowners? (Council Members have raised this policy question in recent years.)

This is a FEMA funded program designed to serve residents citywide. Pursuant to FEMA requirements, assistance is specific to the structure rather than the household, and, as such, there are no income requirements. FEMA encourages outreach to and priority of low-income homeowners. Unlike the City's other homeowner assistance programs, the potential beneficiaries of these grant awards are identified in advance (often 1-2 years) during the initial process of the City applying for the grant award. As such, there is already an existing list of eligibility requirements that must be adhered to. Housing Stability is currently working with Finance on a grant renewal process and is adhering to a similar program structure to be able to honor the many applications currently on the waitlist. There is a match requirement for this program of 25% (that will be increasing to 30% in future funding awards).

b. Has any research been done on shifting to that kind of strategy? Some Council Members have also asked about providing the required matching grants to income-qualified persons. Has the Administration looked into that?

Since taking over the program in March of 2022 from EMS, Housing Stability has worked diligently to both follow FEMA guidelines and grant expectations, as specified in the City's application and contract(s), and more equitably promote the program. Staff is promoting the program more widely on the Westside of the city, where a historical gap in assisted households exists, as well as coordinating the promotion of the program with other tools and resources targeted to low-income homeowners.

In FY 22-23, Council allocated $84,000 to issue grants for the match requirement (as discussed above) for homeowners at or below 100% AMI. There have been several applicants for these City grant funds, and to date, five qualifying households have successfully utilized the funds.

9. **For all HUD-funded and State-funded programs.**

a. Are there any provisions in HUD or other regulations that require a single department to run all of these programs?

As a HUD entitlement City, it is essential for one team to be charged with the primary oversight of the collective entitlement grant programs, including CDBG, HOME, ESG, and HOPWA. Housing Stability is the team with the expertise to continue to fulfill this role, as well as the role of administering related federal and state programs.

All HUD funds are subject to several federal requirements, including, but not limited to; the creation of, submission of, and adherence to, a 5-year HUD Consolidated Plan covering all of the HUD funds, subsequent Annual Action Plans, Citizen Participation Plans, and Consolidated Annual Performance Evaluation Report (CAPER) requirements. It is also necessary for the respective grant administrators, supervisors, and financial staff to have access to multiple federal databases, including but not limited to: the HUD Integrated Disbursement and Information System (IDIS), the HUD Environmental Review Online System (HEROS), the Federal Funding Accountability and Transparency Act (FFATA) online reporting site, the Section 3 Performance Evaluation and Registry System (SPEARS), the State of Utah's Homeless Management Information System (HMIS), and the federal Sage HMIS Reporting Repository. While several City staff, including in Finance, already have access to these systems, Housing Stability is the central point of responsibility and contact for these systems. It could prove to be quite complicated to parse out HUD funds, and the primary responsibility for those funds, to multiple divisions/ departments throughout the City.

While Housing Stability manages these overarching grant programs, much of the grant funding is passed through to partner agencies such as non-profit organizations and other City divisions/departments, referred to by HUD as subrecipients. Subrecipients administer programs directly to developers, community organizations, businesses, and residents, referred to by HUD as beneficiaries. Housing Stability acts as a subrecipient for certain of these "Direct Delivery Programs," as referred to in the transmittal. While Housing Stability should continue to be the Division with the primary oversight of the entitlement grant program funding, administration of the Direct Delivery Programs is more discretionary. Regardless of which subrecipient administers the Direct Delivery Programs, whether it's Housing Stability, another City division/department, or an external organization, Housing Stability will need to remain involved in regulation and monitoring of compliance.

b. How do these programs track and measure equity in their service provision?

HUD requires high levels of accountability when it comes to the tracking of equity in program administration. As historically subject to federal requirements, and in accordance with the 5-year HUD Consolidated Plan, Salt Lake City, in partnership with Salt Lake County, has previously conducted a Fair Housing Equity Assessment and Analysis of Impediments (AI). There are Affirmatively Furthering Fair Housing initiatives that HUD requires grantees (Entitlement municipalities) to incorporate into their plans, projects, and subsequently federally funded activities. There is also a federally required Language Access Plan (LAP), that requires all federally funded activities within the City to provide the public with notices in other languages, as determined by the percentage of other languages spoken within the City, as well as a requirement to provide other language translation services as needed. In addition to the above listed requirements, there are a number of other federal requirements that ensure equity, including but not limited to; Section 3 requirements, prioritizing Minority & Women Owned Business opportunities, Davis-Bacon and other labor standard requirements (ensuring the provision of employment opportunities for low-income residents), the Violence Against Women Act (VAWA) requirements, and others. All HUD funded activities carry a requirement for the assurance of equity, then tracking and reporting of such outcomes to HUD. As such, all the internally operated programs within Housing Stability, including those that may not be funded in-whole or in-part with HUD funds are subject to the same provisions of equity, as applicable, as we work to maintain consistency (wherever possible and practicable) across all the programs administered by Housing Stability.

c. Is it correct to state that the Administration has discovered no evidence of financial malfeasance (for example, missing/stolen funds), or is that yet to be determined?

Yes, that is correct. While there was a lack of transparency in the budgeting of funds to specific programs/activities/projects, there is no evidence of malfeasance. The Finance Department has worked with Housing Stability (and formerly HAND) to reconcile cost centers including revenues and expenditures. The City's annual independent audits have found no findings of malfeasance, and HUD monitoring visits have found no substantial finding of the Housing Stability programs.

10. **Administrative Rules versus Ordinances.** The transmittal states that the Administration will submit additional information to the Council on each of the Direct Delivery Programs as it works to establish policies and procedures either through administrative rule or legislative resolution. Who will determine whether administrative rules versus ordinance changes are most appropriate for each program, and using what criteria?

CAN wishes to establish policies and procedures through whichever format is most appropriate and consistent with City practices. For example, the RDA's program policies are established legislatively through resolution while the Economic Development Loan Fund ("EDLF") is established through a resolution and is operated through Title 59 of the Policies and Procedures Manual. Generally, the expectation is that the policy direction will come from the Council, and the operation and day-to-day implementation and process will come from the Administration. The Attorney's Office may wish to weigh in on legal considerations.

Any City policy for HUD-funded programs needs to be within the parameters of HUD regulations and requirements and allow flexibility for federal-level mandates. For example, HUD-funded mortgages were part of a moratorium on foreclosures as a response to the COVID pandemic. In addition, since the majority of Housing Stability's Direct Delivery Programs deal directly with individuals and families, not developers or corporations, City policies will need to ensure that personal information remains confidential.

11. **Comparing Budget Amounts**. The organization of information in Attachment 1 is very helpful. Would it be possible to provide a sense of scale among the many different programs in a separate chart, using FY23 (or FY22) amounts?

    Yes, we can work on preparing additional information on the programs outlined in Attachment 1. To clarify, the Council would like an accounting of allocated/expended funds for FY 23 and/or FY22?