



City of Ann Arbor

Legislative File Number 08-0302 (version 1)

---

**..Title**

Resolution to Approve the City of Ann Arbor Joining the Washtenaw Urban County for Fiscal Years 2010, 2011, and 2012 and Authorize the City to Enter into the Urban County Cooperative Agreement with Washtenaw County

**..Memorandum**

Attached for review and action is a resolution to approve the City of Ann Arbor joining the Washtenaw Urban County for Fiscal Years 2010, 2011, and 2012.

On July 2, 2007 City Council created the Urban County Task Force per Resolution R-303-7-07. The resolution directed the Task Force to gather relevant information to identify and address issues related to the City of Ann Arbor joining the Washtenaw Urban County (Urban County), evaluate the relative merits vs. risks and explore contingencies to ensure value to the City, and bring forward a recommendation to City Council.

The Urban County Task Force examined key elements and issues to be considered in this potential consolidation. The discussion of the Task Force focused on building a foundational understanding of HUD funding to entitlement communities, in order to form this recommendation. Key issues examined included: implications for decision-making, funding implications, and operational implications of the City of Ann Arbor joining the Urban County.

In making this recommendation, the Urban County Task Force members have attempted to present ideas and suggestions to ensure that the interests and priorities of the City are protected.

**Background**

In September 2004, the City and County created the joint Office of Community Development (OCD). Prior to this effort, the City and County each had Community Development offices that were responsible for administering CDBG and HOME programs within their respective geographic areas. In addition, both were accountable for granting general fund dollars to non-profit housing and human service providers.

The joint office has been in operation for over 41 months and a number of significant service improvements have occurred since its creation. Additionally, financial savings have been realized by integrating the work duties of the City and County staff by reducing duplicative administrative functions. The primary goal of this reorganization has been to combine cross-functional operations within the office to deliver seamless services to our customers and stakeholders. These efforts included the coordination of staff leadership, administrative, and financial functions; creation of one comprehensive Rehabilitation Service Delivery system; coordination and oversight of the planning process for the

affordable housing program; and coordination of City and County human services activities.

The continued consolidation of City and County community development functions is on the leading edge of the regional cooperation being explored throughout our community and the State. These efforts have also been suggested and encouraged by Governor Granholm, including in her most recent State of the State address.

In order to continue to advance the model of the regional partnership that the City and County committed to in 2004 with the creation of the joint City/County Office of Community Development, the next natural step is to examine the City's involvement in the Urban County. By joining the Urban County, the current duplicative work that is done by the OCD staff, and is required by HUD, would be reduced to a single effort instead of 2 parallel efforts. The following is a list of the major activities that would be changed: completion of 2 Annual and 5-year Plans to completion of 1 Annual and 5-year Plan (current: City Plan and County Plan); completion of 2 Consolidated Annual Performance Evaluation Reports to completion of 1 Consolidated Annual Performance Evaluation Reports (current: City Plan and County Plan); transition from 2 financial systems and 2 budgetary systems to 1 financial system and 1 budgetary system (current: City financial and budget systems, County financial and budget system); and a dozen other HUD reports.

HUD defines entitlement communities as municipalities with populations of 50,000 people or more, and counties where participating jurisdictions have a population of at least 200,000 exclusive of any entitlement communities within it.

The City of Ann Arbor has been a HUD entitlement community since 1975, and as such, has annually received federal funds to support the housing and human service needs of low-to moderate-income residents. In FY 08, the City received \$2,045,101 in HUD funds; \$1,099,691 in Community Development Block Grant (CDBG) funding and \$945,410 in HOME Investment Partnership (HOME) funds. Several local jurisdictions joined together in 2004 to create an *Urban County*, with a cumulative population surpassing 200,000, which qualifies it as a HUD entitlement community. The *Urban County* currently includes Ann Arbor Township, Bridgewater Township, Northfield Township, Pittsfield Township, Salem Township, Scio Township, Superior Township, York Township, the City of Ypsilanti, and Ypsilanti Township. The *Urban County* received a total of \$1,866,761 from HUD in FY 08, with \$1,179,131 in CDBG funds, and \$687,630 in HOME funds.

CDBG funds are used for housing acquisition and rehabilitation, public facilities improvement, and neighborhood revitalization. Additionally, a capped portion of CDBG funds may be used for public (human) services. HOME funds must be used to expand the supply of decent, affordable housing, and may not be used for human services.

## **Major Considerations for the City in Joining the Urban County**

### **Implications for Decision-making**

Currently, City Council has final authority for funding all human service contracts to nonprofits no matter the source of funding. City Council will continue to have final approval for contracts utilizing City General Funds and Affordable Housing Trust Funds including the

approximately \$1.4 million allocated to human service funding this fiscal year.

If the City were to join the Urban County, the Urban County Executive Committee (UCEC) would have final authority for decisions on all HUD funds, including the human service portion of CDBG funds. As designated in the bylaws of the Urban County, the UCEC is constituted by the chief elected officer of each participating jurisdiction, or their designee, and a non-voting County Commissioner who serves as Chair. Thus, the City will be represented by the Mayor or his/her designee, who would have one vote on the Urban County Executive Committee. Though Task Force members acknowledged that more than one vote on UCEC may be preferred by Council, it would be a mismatch with current/historic UCEC practices. Further, it would likely be perceived negatively by other UC jurisdictions. The Task Force recommends one voting representative from each member jurisdiction.

The Urban County Executive Committee process for CDBG and HOME funding includes member jurisdictions working independently and together, and incorporating public participation to create HUD-related priorities and goals. Each jurisdiction is welcomed and encouraged to contribute specific goals and projects that match the need in their particular jurisdiction. These goals and priorities can - and should - be as diverse as the Urban County member jurisdictions. These goals and priorities are used to create a HUD 5 Year Consolidated Plan, and HUD Annual Plans, on which funding allocations are based.

Currently, recommendations and decisions on City CDBG, HOME, and General Funds are based on the City's HUD 5 Year Consolidated Plan. If the City were to join the Urban County, all recommendations and decisions would continue to be based on a Consolidated Plan. The difference is that a single HUD Consolidated Plan would be in place for the Urban County, rather than a Plan for the City and a Plan for the Urban County. The priorities of each jurisdiction within the Urban County would be identified in the Plan and this would be the final guide for funding of projects for communities within the Urban County, including those of the City. City Council and residents of the City will continue to have opportunities for public participation (consistent with City priorities and as mandated by HUD) to shape the Consolidated Plan. The difference is that the City's priorities would be part of the broader Urban County Plan, rather than in a stand alone Plan for the City.

In addition to using the planning process to guide projects and initiatives undertaken, decision-making in the Urban County is based on the premise that each participating jurisdiction receives the share of funding it brings to the Urban County. Thus, Ann Arbor, which will bring slightly less than half of the HUD HOME and CDBG dollars into the total Washtenaw County pool, will receive approximately that same amount of the total HUD allocation over each three year period.

This model, where each jurisdiction gets out what it brings in, is stipulated in the Urban County by-laws, and is consistent with how the participating jurisdictions would allocate resources during each three-year period. The bylaws that govern the allocation of funds may be changed by the Urban County Executive Committee at any time if the Committee decided that a different allocation of funds were desired. Currently, the Committee, as reflected in the bylaws, is committed to providing participating jurisdictions with

approximately the same amount of funding the jurisdiction brings to the Urban County. Except for the instances when members have offered to allocate their share to neighbor jurisdictions, each community has received allocations consistent with the amount they bring into the Urban County. The effect, in instances when other jurisdictions do not have projects to be funded, as has happened in the past, is that the City could be positioned to utilize these funds for projects within the City.

The Urban County uses a formula by which allocations are determined that is largely based on HUD's recommended design, and takes into account low-moderate income population, total population, and households experiencing housing problems. HUD's allocation formula, which has historically determined the City of Ann Arbor's annual allocation, is slightly different from this Urban County formula, in that it considers total population, poverty, and household overcrowding to determine how funding is allocated. This divergence will create up to a three percent decrease in the total Urban County allocation designated toward Ann Arbor. A resolution to adopt an allocation formula consistent with HUD and the City of Ann Arbor will be voted on at the March 25, 2008 Urban County Executive Committee meeting.

### Funding Implications

The total amount of HUD CDBG and HOME funding will remain virtually the same if the City joins the Urban County. The entire pool of HUD funding will *increase* by nearly \$100,000, due to the combined population of the Urban County jurisdictions including Ann Arbor. Separately, neither the City of Ann Arbor nor the Urban County qualifies for a direct allocation of Emergency Shelter Grant (ESG) funds from HUD, and as a result, these funds go to the State to allocate. If the City were to join the Urban County, the Urban County will qualify to receive the ESG Funds. This increase will come in the form of HUD ESG funds to support shelters and other homelessness providers, thereby, resulting in the nearly \$100,000 in additional federal funds coming directly to the Urban County.

While the total funding pool of CDBG and HOME funds will remain the same, one potential change needs to be made clear. Unless HUD provides a waiver to the City, the portion of CDBG funds spent on human services will be reduced from the City's current grandfathered \$396,000 (equal to 38% of the CDBG allocation this year) to a possible 15% (which represents approximately \$196,000), the current human services cap required by HUD. This change would mean that the City would need to spend the approximately \$200,000 in CDBG funds, that in the past would have been spent on human services, on another activity that is CDBG eligible. In 1989, the City of Ann Arbor was granted permission to devote \$396,000 of CDBG funds to human services, thereby exceeding the 15% cap in place for other entitlement communities. Since 1989, when this amount was first instituted, the percentage of CDBG funds for human services has ranged from 26% to 38%, where it is today. The Mayor, with formal support from the Urban County jurisdictions, has submitted a request to HUD asking for a waiver to the City, however, a decision on that request has not yet been made. Additionally, the Task Force does not expect to receive a response to the Mayor's request from HUD by the time the City will need to make a decision on joining the Urban County.

One Hundred Thousand (\$100,000) of the \$200,000 potential loss of funds devoted to human services, however, may be offset by the new ESG funding that will come into the

community. Further, a benefit of this reduction in human service allocation, with no reduction in total HUD dollars, will be an increased ability to support housing acquisition and rehabilitation, public facilities, and neighborhood revitalization. These funds have diminished in proportion to total HUD funds in recent years, at the same time as the community (for example, through the Community's Blueprint to End Homelessness) is calling for dramatic expansion of affordable housing stock. For more information about specific funding amounts and proportions, please see attached table and graph illustrating Ann Arbor's CDBG and HOME funding trends.

Despite the benefit of additional HUD funds available to support housing acquisition and rehabilitation and public facilities, members of the Task Force understand Council's likely concern about the potential loss in CDBG human service funds. The Task Force thus recommends the exploration of alternatives to offset this reduction in funds, including: (1) devoting staff time to research and pursue additional public and private funding for community development activities, including human services; (2) conducting an analysis of the City human service funding and similar funding from other jurisdictions to non-profit organizations that serve low-income residents from multiple jurisdictions; (3) related, encouraging an increased commitment from Washtenaw County and local jurisdictions toward funding human services; and (4) increasing support to nonprofits for capital improvements of public facilities, such as shelters and community centers, by shifting human service funding to public facilities. Unlike *human services*, the improvement of *public facilities* is an eligible CDBG expense not affected by any regulatory cap.

There are already efforts underway to examine how to maximize and generate funding for human services in the community. Most notably, the County convened a task force, on which Mayor Hieftje serves, to create a sustainable revenue source for supportive housing. If successful, this effort will create an additional stream of funding for many of the agencies funded by the City, including those funded through CDBG.

#### Operational Implications

In 2004, with the purpose of streamlining work efforts and maximizing efficiencies, the City of Ann Arbor and Washtenaw County community development functions and staffing were combined into one office. While this merger has been successful in realizing many efficiencies community development staff continue to expend time managing duplicative HUD processes. In order to remain HUD entitlement communities, both the City of Ann Arbor and Washtenaw Urban County must fulfill separate and detailed planning, monitoring, and financial and program reporting functions.

By joining the Urban County, staff effort will be focused on managing only one HUD planning and reporting process, thereby reducing staff time spent on duplicative HUD processes by up to 150 hours annually. Further, by joining the Urban County, the need for legal review and Council approval of contracts and resolutions will be reduced, creating an additional staff time savings of up to 140 hours each year. This time will be reallocated to other critical, but currently unmet needs, including quality improvement activities such as monitoring, training and technical assistance, and related capacity-building support to local nonprofits. Additionally, reallocated staff time will be spent on research and acquisition of additional funding and resources to support and advance the goals of the community.

In addition to internal benefits, consolidation will create a more timely and coherent application and funding process for local nonprofits. Again in this area, while improvements have been made, many nonprofits that seek funding must continue to submit duplicative applications, and manage duplicate contracts and reporting processes.

By joining the Urban County, the City's legal obligation and liability of being fiduciary and administrator of HUD funds will shift from the City to Washtenaw County. Additionally, the time spent by the City Attorney's Office in contract review will be greatly reduced, and contracts issued by the Office of Community Development will be further streamlined for nonprofit customers.

### **Recommendation**

By joining the Urban County and eliminating duplicative HUD processes, the City of Ann Arbor will take a crucial step toward realizing the vision set forth in 2004 of fully integrating the City and County community development functions and staffing. As importantly, becoming a member of the Urban County will enable the City to join with the County and other local jurisdictions to identify and address regional housing and human service needs of those who are most vulnerable in our community. This truly regional approach will assist in moving the array of human services and affordable housing practitioners from throughout the County away from isolation and fragmentation and toward increased cooperation and effectiveness.

The Task Force believes that the City should move forward with joining the Urban County for a three year pilot, even while recognizing that a reduction in human services CDBG funding may become a reality. Therefore, it is the recommendation of the Urban County Task Force that City Council authorize the City to join the Washtenaw Urban County for a three year term beginning in July 2009 inclusive to June 2012.

#### **..Staff**

Sponsored by: Urban County Task Force (Councilmember Easthope, Councilmember Greden, Jean Carlberg, Leah Gunn, Bill McFarlane, Ellen Schulmeister)

Prepared by: Mary Jo Callan, Community Development Director

Reviewed by: Jayne Miller, Community Services Area Administrator

#### **..Body**

Whereas, On July 2, 2007 City Council created the Urban County Task Force per Resolution R-303-7-07, directing the Task Force to gather relevant information to identify and address issues related to the City of Ann Arbor joining the Washtenaw Urban County (Urban County), evaluate the relative merits vs. risks and explore contingencies to ensure value to the City, and bring forward a recommendation to City Council;

Whereas, The Urban County Task Force examined key elements and issues including implications for decision-making, funding implications, and operational implications of the City of Ann Arbor joining the Urban County;

Whereas, In September 2004, the City and County created the joint Office of Community Development (OCD);

Whereas, The joint office has been in operation for over 41 months and a number of significant service improvements have occurred since its creation, including financial savings by reducing duplicative administrative functions through coordination of staff leadership, administrative, and financial functions; creation of one comprehensive Rehabilitation Service Delivery system; coordination and oversight of the planning process for the affordable housing program; and coordination of City and County human services activities;

Whereas, By joining the Urban County, the City of Ann Arbor will take a crucial step toward realizing the vision set forth in 2004 of fully integrating the City and County community development functions and staffing; and

Whereas, Becoming a member of the Urban County will enable the City to join with the County and other local jurisdictions to identify and address regional housing and human service needs of those who are most vulnerable in our community;

RESOLVED, That the Mayor and Council accept the recommendation of the Urban County Task Force and authorize the City to join the Washtenaw County for a pilot three (3) year period beginning July 2009 inclusive to June 2012;

RESOLVED, That the Mayor and City Clerk be authorized and directed to execute the Urban County Cooperative Agreement with Washtenaw County after approval as to substance by the City Administrator, and approval as to form by the City Attorney; and

RESOLVED, That the City Administrator is authorized to take all necessary administrative actions to implement this resolution.