



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**

Agency Rpt

(25)

Sacramento City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: Recommended Policy Statement on Federal Housing
Legislation

SUMMARY

This report summarizes the Administration's FY 1988 budget submittal to Congress for housing and community development programs and recommends that the City Council adopt an official position opposing the cuts contained therein. By far, the most significant issue is a proposed change in the Community Development Block Grant (CDBG) entitlement formula that would eliminate Sacramento County as an entitlement grantee and result in a net loss to the County of Sacramento of approximately \$3.0 million annually in CDBG funds.

BACKGROUND

The Administration has once again proposed drastic cuts to housing and community development programs in its annual budget submittal to Congress. A summary of proposed cuts appears below. For the most part, they are very similar to what was proposed last year by the Administration and rejected by Congress. However, there is one very important exception -- namely that the Administration is proposing a change in the CDBG entitlement formula that would eliminate Sacramento County as a CDBG entitlement jurisdiction.

1-6-87
All Districts

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If enacted into law, the proposed change in the CDBG allocation formula would result in a direct loss to the County program of approximately \$3.7 million beginning October 1, 1987. Although some of this amount would be returned to the region in the form of a larger City entitlement, and the County could presumably apply for discretionary "small cities" funds, which, incidentally, constitute only 30% of the total CDBG appropriation, the net loss to the Agency as a whole would be on the order of \$3.0 million annually. In addition, very significant service inequities between jurisdictions would immediately and inevitably result.

This provision alone justifies immediate and strenuous opposition to the entire budget request, if for no other reason than the fact that, it clearly demonstrates a lack of sensitivity on the part of the Administration to the problems which beset urban communities and an extreme unwillingness to work cooperatively and constructively with various effected interests to solve them. Formal adoption of such a position is the purpose of this report. Further background on specific budget provisions follows:

Community Development Block Grant (CDBG)

The Administration is proposing to eliminate CDBG entitlement status for all communities where the per capita entitlement grant is less than the national average, or approximately \$15.00 per capita. Sacramento County falls below this threshold and, therefore, would lose its entitlement beginning October 1, 1987.

The Administration is also proposing to reduce CDBG funding for the current fiscal year (FY87) by \$375 million, or 13%, to \$2,624,800,000 and to continue this lower funding level next year. The 13% reduction must be approved by Congress within 45 days. Otherwise, those funds will remain available. However, if approved, the City and County CDBG programs together would lose approximately \$867,000 in FY87 funds, even if the change in the CDBG allocation formula is not approved by Congress.

Section 108 Loan Guarantees

This program would be eliminated. The Agency has used these loans extensively in the past. To date, a total of \$4,250,000 has been borrowed to finance land acquisition for public housing development and related public improvements.

(b)(7)(D) - Exemption from disclosure of information

Exemption from disclosure of information

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Section 312 Rehabilitation Loans

This program would be terminated. The loss to Agency loan programs would be on the order of \$500,000 annually. At current rates, this would result in a reduction in output of approximately 25 units annually.

Rental Rehabilitation Program

Current year (FY87) funding would be reduced by \$125 million, or 63%, to \$75 million. Again, Congressional approval within 45 days would be required. The loss to Agency rehabilitation programs in 1987 would be on the order of \$280,000. This would result in a production loss of approximately 55 units annually.

Assisted Housing

Housing assistance would be limited to 80,000 free-standing housing vouchers. No new funds are proposed for other programs. In addition, the Administration is proposing to rescind FY87 funding for 2,500 new and conventional public housing units. Although these reductions don't translate directly into lost allocations to the Agency, it is estimated that the Agency will receive no more than 100 to 150 new housing vouchers in 1987, and nothing for other programs.

The Housing Development Action Grant (HoDAG) Program

The Administration is proposing to eliminate this program and rescind the entire \$99.6 million in FY 1987 funding.

The Urban Development Action Grant (UDAG) Program

This program would be terminated following the January 1987 funding round. Remaining FY87 funds (\$150 million) would be rescinded.

Section 312, Urban Development Action Grant

Section 312, Urban Development Action Grant

Section 312, Urban Development Action Grant

Section 312, Urban Development Action Grant (UDAG) PROGRAM

Section 312, Urban Development Action Grant (UDAG) PROGRAM

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Section 8 Administrative Fees

The Section 8 program administrative fee would be lowered, effective October 1, 1988. A 10% reduction, as was previously proposed, would result in a net loss of revenue to the Agency of approximately \$140,000 annually. The Administration has also proposed that administrative costs for Section 8 be "shared" between the federal government and state or local government. Any changes along these lines could result in a situation where a substantial expenditure of local funds would be required in order to properly administer this program.

FINANCIAL DATA

Even excluding the threatened loss of CDBG entitlement status for the County, which would be disastrous, the negative impact of the Administration's budget proposal on Agency programs and funding would be very significant. The cumulative total loss due to items described above would be \$1.9 million. Such a loss clearly would place a strain on this Agency's financial resources. Either new sources would have to be found to replace lost revenues or there would have to be a major realignment of Agency programs and spending priorities.

ENVIRONMENTAL REVIEW

The subject matter covered in this staff report is exempt from environmental review requirements.

POLICY IMPLICATIONS

Last year, the City Council, acting as the governing board of the Sacramento Housing and Redevelopment Agency, adopted a formal position with respect to federal housing and community development legislation which, in summary, urged continuation of federal housing and community development programs and funding at pre-Gramm-Rudman-Hollings levels, at least until suitable alternatives are developed, tested and funded, and that Congress reject across the board cuts to domestic programs as a means for balancing the budget. It is recommended that you reaffirm this policy with respect to the FY 1988 federal budget and, in addition, state your opposition to the proposed CDBG allocation

Section 104, Evidence, 1975

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formula change and the withdrawal of fiscal year 1987 funding already approved by Congress. Policy recommendations are further discussed in the "Recommendations" section of this report, below.

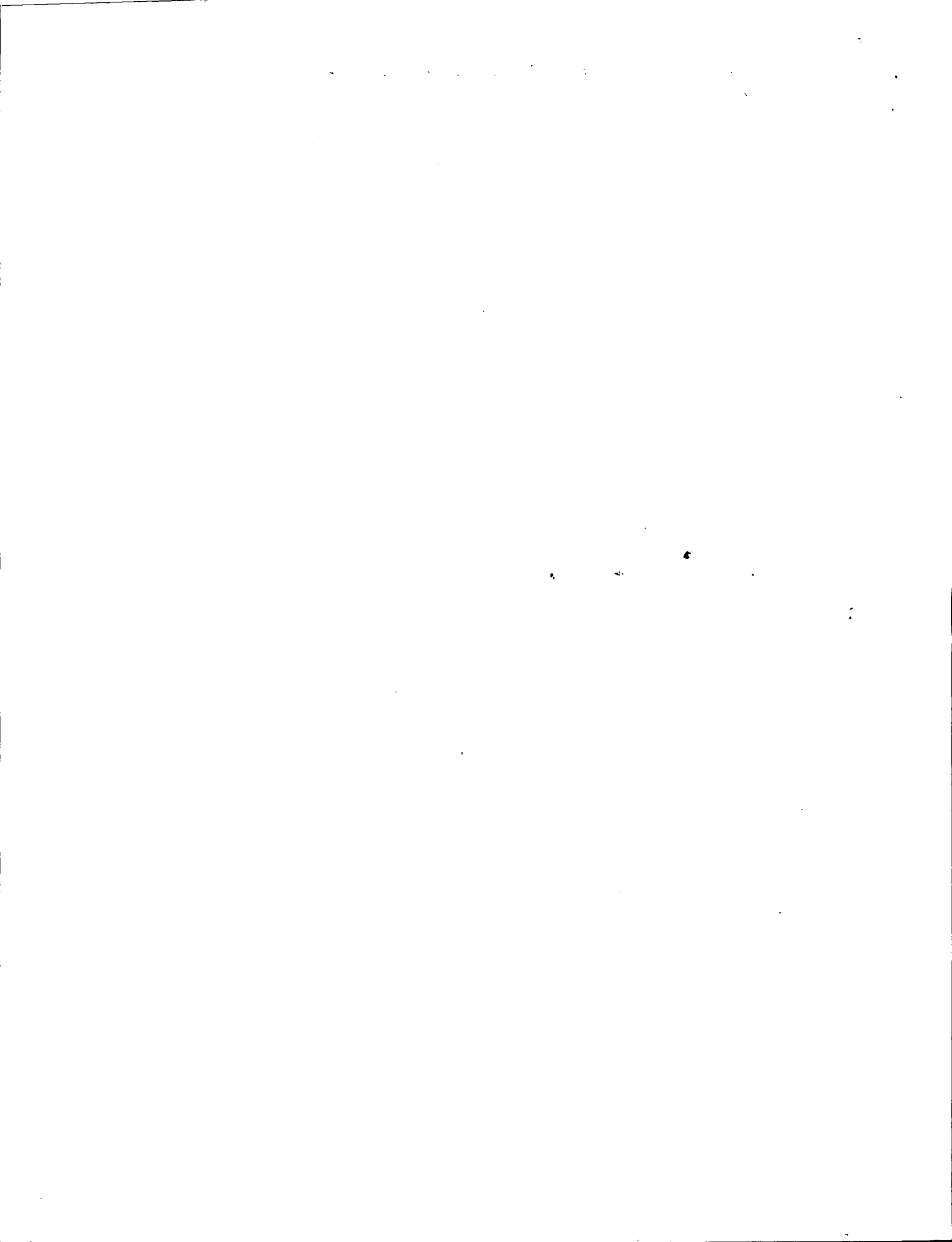
VOTE AND RECOMMENDATION OF COMMISSION

It is anticipated that at its meeting of January 5, 1987, the Sacramento Housing and Redevelopment Commission will adopt a motion recommending that you take the above mentioned action. In the event they fail to do so, you will be advised prior to your January 6, 1987 meeting.

RECOMMENDATIONS

It is recommended that the governing bodies adopt a formal position with respect to federal housing and community development legislation as follows:

1. Congress should continue authorization for current housing and community development programs unless and until proven substitutes capable of meeting identified needs are found. Such programs should not be eliminated for purposes of deficit reduction alone.
2. Congress should continue to provide multi-year authorization for housing and community development programs as in the past.
3. Congress should reject any deficit reduction plan which uses across-the-board cuts to domestic programs as a last resort to balance the budget.
4. Gramm-Rudman-Hollings deficit targets should be met through increased taxes or decreased military expenditures, rather than across-the-board cuts to domestic programs.
5. The federal government should provide funding for housing and community development at fiscal year 1986 post Gramm-Rudman-Hollings (GRH) levels or higher.
6. Congress should not approve a change in the allocation formula for the Community Development Block Grant Program which would result in a reduction of any jurisdiction's current entitlement.
7. Congress should reject any attempts by the Administration to defer or rescind funding approved by Congress for housing and community development.




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It is further recommended that you authorize and direct the Mayor to transmit a letter expressing this position to the President and the Sacramento Congressional Delegation.

Respectfully submitted,


WILLIAM H. EDGAR
Executive Director

Contact Person: Kurt Findeisen
440-1320

TRANSMITTAL TO COUNCIL


For: WALTER J. SLIPE
City Manager

0948J

THE UNIVERSITY OF CHICAGO
LIBRARY

RESOLUTION No. 87-011

Adopted by The Sacramento City Council on date of

January 6, 1987

**POSITION OF SACRAMENTO CITY COUNCIL OF THE
CITY OF SACRAMENTO, CALIFORNIA ON
FEDERAL HOUSING AND COMMUNITY
DEVELOPMENT LEGISLATION**

WHEREAS, there is a continuing need for the Federal Government to provide financial support for housing and community development programs; and

WHEREAS, the budget for fiscal year 1988 submitted by the President of the United States to the Congress proposes significant reductions in housing and community development programs and funding; and

WHEREAS, these reductions, if enacted into law, would pose a severe and unnecessary hardship to low income individuals and families in Sacramento and the nation;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO:

Section 1. A formal position with respect to federal housing and community development legislation is hereby adopted as follows:

- a. Congress should continue authorization for current housing and community development programs unless and until proven substitutes capable of meeting identified needs are found. Such programs should not be eliminated for purposes of deficit reduction alone.
- b. Congress should continue to provide multi-year authorization for housing and community development programs as in the past.

APPROVED
BY THE CITY COUNCIL

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OFFICE OF THE
CITY CLERK

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- c. Congress should reject any deficit reduction plan which uses across-the-board cuts to domestic programs as a last resort to balance the budget.
- d. Gramm-Rudman-Hollings deficit targets should be met through increased taxes or decreased military expenditures, rather than across-the-board cuts to domestic programs.
- e. The federal government should provide funding for housing and community development at fiscal year 1986 post Gramm-Rudman-Hollings (GRH) levels or higher.
- f. Congress should not approve a change in the allocation formula for the Community Development Block Grant Program which would result in a reduction of any jurisdiction's current entitlement.
- g. Congress should reject any attempts by the Administration to defer or rescind funding approved by Congress for housing and community development.

Section 2. The Mayor is authorized and directed to communicate this position to the President of the United States and the Congress.

Section 3. This resolution shall take effect immediately.

MAYOR

ATTEST:

CITY CLERK

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