



COMMUNITY & ECONOMIC DEVELOPMENT OFFICE

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To: City Council

From: Peter Owens, Director

Re: FY16 Budget and ReOrg

The FY16 Budget and ReOrg is another step in our multi-year effort ***to create a stable, transparent, and appropriate funding plan for CEDO in support of our mission to build a more vibrant, healthy and equitable City.*** There are three main components to the proposal. First, in line with the CAO's recommendation, we propose re-organizing as a General Fund department with three associated Special Revenue Funds—Community Development, Housing, and Community Justice. Second, we propose re-organizing into three divisions—Community, Housing and Opportunity Programs; Community Justice Center and Sustainable Housing and Economic Development—to promote cross program collaboration, operational efficiencies and better align funding sources with our work. Lastly, we propose a new approach to housing—the integration of housing initiatives throughout the organization.

Establishing CEDO within the general fund reflects an understanding of the value of CEDO's work within City government. In concert with establishing the allied grant programs within three stand alone Special Revenue Funds (SFR), this new structure offers more clarity, accountability, and predictability in the budgeting process. The net benefit of these changes mean we will spend more time serving our communities in need and growing the grand list and less time figuring out how we are going fund ourselves.

The sum of these changes advance a more Factual, Fair and Forward budget process.

FACTUAL: In response to CEDO's chronic budget short falls, general fund support will no longer be spread across multiple places—it will be more transparent and easily accountable.

FAIR: A new home in the general fund will improve compliance with grant programs, put more dollars to the community, and give us the needed flexibility to work openly growing housing, jobs, investment and opportunity.

FORWARD: Predicable funding and alignment of work with funding, lays a strong organizational foundation for efficient deployment of program dollars to those in need

The **re-organization** is summarized as follows (see Org Charts in HR materials):

A New Approach to Housing. CEDO has a distinguished history of housing innovation including founding the premier Housing Trust in the country and producing a “who’s who” list of leading housing thinkers. Yet, despite this work, our housing challenges are arguably even more acute than three decades ago with a highly constrained market, increasing unaffordability, and sluggish expansion of supply—especially downtown. We must do more. Across the political and economic spectrum, expanding housing supply and affordability is one of the City’s most pressing challenges. The Assistant Director for Housing did an incredible job working across policy, project and grant areas within constrained funding. This budget more accurately aligns the breadth of that work with appropriate funding sources.

Best practice suggests the barriers to expanding housing opportunities are multiple and require a cross-disciplined, multi-pronged, mixed-use approach to address them. The broad based 17 recommendations of the *Housing Action Plan* suggest the same. The new organization places “housing” in the titles of both City Hall teams and creates housing capacity within both sides to advance multiple housing issues. The former *Economic Development* division becomes the new *Sustainable Housing and Economic Development* division. The former Community Development division becomes the *Community Housing and Opportunity Programs* division.

A Consolidated Grant Programs Team. CEDO was founded on and powered by a long run of generous federal funding that supported the many programs and initiatives around housing, neighborhoods, citizen engagement, economic development and quality of life. However, federal budget cuts and more stringent program regulations have cut deeply into CEDO’s capacity and made large areas of our funding poorly aligned with the work we’ve historically done. Ineligible work activities could potentially threaten funding. Additionally, our grant programs tend to be siloed and not as collaborative or efficient as they could be.

Consolidating grant programs under a single *Community, Housing and Opportunity Programs (CHOP)* team promotes cross-program efficiencies and sharing resources (e.g. One Touch program). It builds on recent efforts to bring even tighter, more outcome driven grant management. Two positions are primary impacted: the existing *Housing Programs Coordinator* would be elevated to oversee all affordable housing programs (HOME, Lead, Housing Trust Fund)—taking over many of the duties of the former Assistant Director for Housing. The former executive secretary position is re-purposed as a *Community Development Specialist* to provide cross-program grant support. This team will lead key areas of the *Housing Action Plan* focused on preservation of affordable housing, new housing projects and Housing First.

New Project & Policy Innovation Team. CEDO has long been an “idea factory”—a place of innovation and leadership in entrepreneurial thinking. This work has been increasingly constrained by specific program reporting and recent grantor monitoring. This has left many City and Administration priorities around community building—in areas such as housing, creative economy, technology, parking, green infrastructure, and walkable city / sustainable development projects—without a funding source except Tax Increment Finance (TIF) district related costs (with specific requirements for eligible, voter approved, municipal expenses).

The consolidation of these activities within a new *Sustainable Housing and Economic Development (SHED)* team with explicit and transparent general fund commitment frees them to grow to housing, jobs and infrastructure investments guided by the goals and priorities of the City. While all job descriptions are being changed to *Project and Policy Specialists*, two existing positions (AD for Housing and Special Projects Manager) are being re-worked to focus on housing and related development activity—for in the both policy and project areas. This team will advance key elements of the Housing Action Plan such as inclusionary zoning reforms, neighborhood stabilization, and student housing. It will also continue to support broader policy efforts around permitting, parking, infrastructure, zoning and business support.

This new structure supports the CEDO's overall **FY16 goals** for each division:

Community, Housing and Opportunity Programs (CHOP): Deliver culturally competent opportunity programs to serve diverse, vulnerable, disadvantaged and income-qualified populations (birth through aging) in the areas of housing and homeless, public services, civic engagement and equity .

Sustainable Housing and Economic Development (SHED): Advance policies and projects that modernize our approach to housing, development, and business assistance, grow the grand list and provide broad opportunities for economic vitality.

Community Justice Center (CJC): Expand opportunities with the community to address the effects of crime and conflict through innovative restorative practices and strengthened support for victims and offenders.

FY16 Fiscal Changes. Components of year to year changes are best understood by looking back over several years of efforts to restructure CEDO's budget practice and structure.

FY13: No plan, borrowed pooled cash to cover gap

FY14: Started the restructuring conversation

- CDBG modified reduce costs, increase capacity
- TIF emerged as a source after November 2012 vote
- Year end adjustments to minimize gap

FY15: Established baseline General Fund (GF) budget support ~ \$380,000

- ~ \$115,000 in savings (reduction in staff & program adjustments)
- ~ \$200,000 General Fund transfer (after savings from cuts, TIF & investment revenue)
- ~ \$180,000 gap (approved plan included % gross receipts tax, % of parking, % of Browns Court sale)
- Mixed results: gross receipts and parking successful, sale delayed by litigation – settled in April 2015 – prospects for closing strong in FY16.

Conclusion: Goal of stable, predictable baseline funding is not well suited by uncertain and/or fluctuating revenues sources.

FY16 Changes: Net General Fund Support ~ \$415,000

- ~ \$200,000 GF transfer (same as FY15)
- ~ \$215,000 gap made up thru portion of Brown's Court sales and Downtown TIF
- Activation of Downtown TIF prerequisite to prior year cost reimbursements and a funding source for future years work.
- FY16 Tradeoff: weaning economic development staff from grants frees up in excess of \$100,000 for direct community benefit but leaves the currently vacant policy / project position unfunded.
- In the interim Downtown TIF consultants will be used where feasible to provide capacity to advance project work

FY17 Goals: The new structure will support a simpler, more transparent budget process in the years ahead. CEDO will request funding for the restoration of the unfunded policy and project specialist as City fiscal health and priorities permit. Budget related issues such as Brown's Court sale and activation of Downtown TIF district will be tracked over the course of FY16 and be incorporated into planning for FY17 budget.

FY14 Audit Findings: The FY14 audit finding related to CEDO advised 1) separate CEDO grants from operating activities and 2) develop and implement a plan for funding the operating deficit. Per the audit findings, CEDO has worked with the Clerk Treasurer's Office to implement the separation of grant and operating activities of CEDO in FY16, and ensure all grant activity remains in a special revenue fund. Additionally, as outlined above there is a plan in place for FY15 and FY16 to fund any shortfall in CEDO operating expenses.

FY6 Staffing Changes: All staffing changes from the above CEDO reorganization are detailed in the related memo, org charts, and job descriptions prepared by Human Resources department.