

Buffalo Fiscal Stability Authority
Summary of the Buffalo Urban Renewal Agency’s FY 2018-19
Third Quarter Report

The Buffalo Urban Renewal Agency (“BURA”) has submitted its 2018-19 third quarter report for the period July 1, 2018 through March 31, 2019. BURA submitted the third quarter report on May 1, 2019.

Grant revenues administered by BURA on behalf of the City of Buffalo (the “City”) are largely based on funding received from federal allocations through the U.S. Department of Housing and Urban Development (“HUD”). Congress approves the funding, and a formula determines how such funds will be distributed to local communities. In addition to the current grant awards, BURA also has the ability to draw down previously allocated funding that has not been expended from previous grant awards for program and administrative costs incurred in the current year. BURA's financial plan addressed the current year allocations as well as planned used of available prior year funds including: Community Development Block Grant (“CDBG”), Housing Opportunities Made Equal (“HOME”) Program resources, Emergency Shelter Grants (“ESG”), and Housing Opportunities for People with Aids (“HOPWA”). Collectively these four funding sources are commonly referred to as Entitlement Funds since they are an annual allocation to BURA from HUD.

The Office of the City Comptroller's Department of Audit and Control is responsible for several functions related to program implementation of CDBG funds including review of subrecipient submissions for the drawdown of grant proceeds, the issuance of payments to local service providers under contract, monitoring contracts between BURA and its subrecipients, and the auditing of payments and invoices. These functions were handled by BURA directly until 2012-13 when such administrative duties were moved to the City as a result of a directive issued by HUD. BURA has entered into a subrecipient agreement with the City of Buffalo in accordance with the HUD directive; the subrecipient agreement is renewed on an annual basis once the City of Buffalo receives the HUD entitlement.

The following schedule details the final amounts of Entitlement Funds awarded for Program Year 44, which is the current operating year. Entitlement Funds were released in the first quarter; there was no change to the original award notice provided to the City of Buffalo.

HUD Allocation			
Entitlement Funds			
Program Year 44: 2018-19			
	Total	BURA	City of Buffalo
CDBG*	\$ 13,677,706	\$ 4,969,222	\$ 8,708,484
HOME	3,255,279	3,255,279	0
ESG	1,123,496	0	1,123,496
HOPWA	720,135	0	720,135
Total:	\$ 18,776,616	\$ 8,224,501	\$ 10,552,115

Total Entitlement Funds awarded to the City of Buffalo is approximately \$18.8 million, with BURA receiving \$8.2 million of the allocation and the balance of \$10.6 million flowing directly to the City. The BURA third quarter report focuses only on the funds that are received and expended by BURA.

BURA is primarily funded through grants, and therefore is limited in spending up to the amounts awarded under those grants. At the end of each fiscal year, the grant funds are individually balanced so that operating revenues are equal to operating expenditures. In the instance that grant awards are not expended at the level expected, the funds are available in subsequent fiscal years to fund operations and programs.

The following schedule provides a high-level comparison of budget-to-actual for the nine-month period ended March 31, 2019:

	<u>Adopted</u>	<u>YTD Budget</u>	<u>Actual YTD</u>	<u>YTD Variance</u>	
	<u>Budget</u>	<u>3/31/2018</u>		<u>\$</u>	<u>%</u>
Total Grant and Program Income	\$ 13,106,689	\$ 7,008,643	\$ 7,368,268	\$ 359,625	5.1%
Total Program Costs	9,181,500	5,070,638	4,262,658	(807,980)	-15.9%
Total Admin & Planning Costs	3,925,189	2,134,197	2,632,549	498,352	23.4%
Total Expenditures	\$ 13,106,689	\$ 7,204,835	\$ 6,895,207	\$ (309,628)	-4.3%

The Adopted Budget revenue was estimated at \$13.1 million, and BURA projected to receive \$7.0 million through March 31, 2019. Approximately \$7.4 million was drawn down by the end of the third quarter, which mainly constituted prior year allocations. HUD has released Program Year 44 funds, as previously noted. The draw-down of revenue only occurs as needed to fund expenditures. Expenditures were projected to be \$7.2 million as of March 31, 2019, with actual operating results under budget by \$309,600, or 4.3 percent, for a total of \$6.9 million through the end of the third quarter.

The following revenue schedule provides a detailed listing of the various revenue sources utilized by BURA to fund expenditures and provides additional detail behind the available revenue sources. Funds are restricted as for specific purposes, as well as a cap on administrative costs that are chargeable against the individual grant awards.

	<u>2018-19</u> <u>Adopted</u> <u>Budget</u>	<u>2018-19</u> <u>3rd Quarter</u> <u>Budget</u>	<u>2018-19</u> <u>Actual YTD-</u> <u>3rd Quarter</u>	<u>Variance-Actual to</u> <u>Budget</u>	
				<u>\$</u>	<u>%</u>
Grant Revenues and Related Income					
Community Development Block Grant (CDBG)	\$ 6,735,543	\$ 4,203,210	\$ 3,493,425	(709,785)	-16.9%
CDBG Interest/Rental Income	275,000	80,000	190,052	110,052	137.6%
Housing Opportunities Made Equal (HOME)	4,037,528	1,203,000	1,198,292	(4,708)	-0.4%
CDBG Program Income	725,000	750,000	1,048,371	298,371	39.8%
HOME Program Income	454,000	340,500	384,738	44,238	13.0%
Evans Fund	140,000	2,900	3,242	342	-
Local Initiatives Support Corporation (LISC)	87,500	102,083	102,083	-	-
Justice Assistance Grant (JAG)	34,218	18,000	17,940	(60)	-0.3%
General Fund Revenues	617,900	308,950	930,125	621,175	201.1%
Total	\$ 13,106,689	\$ 7,008,643	\$ 7,368,268	\$ 359,625	5.1%

The two significant budgeted revenue sources are CDBG resources at \$6.7 million and HOME resources at \$4.0 million, for a total \$10.7 million representing 82.2 percent of total budgeted revenue of \$13.1 million. CDBG and HOME program income was budgeted at \$725,000 and \$454,000 respectively, and all other revenue sources total \$1.2 million or 8.8 percent of budgeted revenues. BURA planned on drawing down approximately \$7.0 million, or 53.5 percent, of budgeted grant revenue by March 31, 2019; actual results resulted in a variance of \$0.4 million, or 5.1 percent above budgeted amounts. Significant revenues through the first nine months included CDBG revenues of \$3.5 million, CDBG program income of \$1.0 million, HOME resources of \$1.2 million, general fund income of \$0.9 million, and HOME program income of \$0.4 million; all other revenues totaled \$0.3 million. There are no concerns currently concerning revenue estimates.

Program Costs

Program costs are broken out and discussed separately from general administrative and planning costs, due to the various cap restrictions on administrative costs. Total expenditures per the Adopted Budget total \$13.1 million, with \$9.2 million budgeted for program costs and \$3.9 million for administrative costs. Of the total budgeted program costs of \$9.2 million, \$5.1 million was projected to be expended by March 31, 2019, representing a variance of \$0.8 million through the third quarter. Third quarter expenditures represent approximately 46.4 percent of the Adopted Budget amount.

	<u>2018-19</u> <u>Adopted</u> <u>Budget</u>	<u>2018-19</u> <u>3rd Quarter</u> <u>Budget</u>	<u>2018-19</u> <u>Actual YTD-</u> <u>3rd Quarter</u>	<u>Variance-</u> <u>Actual to Budget</u>	
				<u>\$</u>	<u>%</u>
Grant Expenditures					
CDBG Emergency Loan Program Costs	\$ 2,344,800	\$ 1,813,438	\$ 1,143,876	\$ (669,562)	-36.9%
CDBG Program Delivery	1,216,000	918,000	834,315	(83,685)	-9.1%
CDBG Crime Prevention	239,200	84,000	112,649	28,649	34.1%
HOME Program Costs	3,136,708	1,000,000	886,736	(113,264)	-11.3%
HOME Community Housing Development					
Organization	488,292	-	-	-	-
HOME Program Delivery	75,000	-	-	-	-
Evans Fund Program Costs	140,000	42,600	45,125	2,525	5.9%
CDBG Program Income pass to City	1,000,000	750,000	764,927	14,927	2.0%
HOME Program Income pass to City	454,000	340,500	354,579	14,079	4.1%
LISC Fund/Other	87,500	122,100	120,451	(1,649)	-1.4%
Total Program Costs	\$ 9,181,500	\$ 5,070,638	\$ 4,262,658	\$ (807,980)	-15.9%

Significant expenditures during the third quarter include \$2.1 million for multiple CDBG programs, \$0.9 million for HOME programs, \$0.8 million of CDBG program income, and \$0.4 million in HOME program income; program income as collected is subsequently remitted to the City. Program income is generated through BURA's activities and includes rental income, loan repayments and proceeds from the sale of property. All other program expenditures totaled \$165,600 through the end of the third quarter.

Currently, there are several HOME projects in progress which are difficult to budget on a quarterly basis since the timing of such payments is dependent on the subrecipient submitting the required documentation to BURA promptly. Such projects include the continuation of \$1.9 million for a Citywide initiative targeting select homes to be rehabilitated and other targeted investments. Examples of current projects include:

- Jefferson Avenue Apartments – People Inc. is the developer on this mixed-use project. The project is a \$31.1 million investment, which consists of new construction on two brownfield cleanup sites located between Dodge and Northampton Streets. Upon completion, the project will provide a total of eighty-nine mixed-income apartments ranging from 30 – 100 percent of area median income, with sixteen units set aside for tenants with developmental disabilities or other impairments. The development will include commercial space, a large community room, and laundry facilities.

Environmental remediation and site preparation began in the second quarter and are underway.

- Purdy Street – An infill project promoting homeownership with a projected cost of \$582,274, this project consists of assembling five vacant residential parcels into two buildable lots and the construction of two four-bedroom single family homes on those lots. Once construction is completed both houses will be sold at affordable prices to qualified first-time homebuyers. Pre-development preparation began in the second quarter.
- Elim Townhomes – 129 Holden Street project projected to cost \$10.7 million. The project consists of the construction of five new townhome-style buildings including thirty affordable units. The project is being constructed on a brownfield remediated site adjacent to the Highland Park Village development. Upon completion, there will be thirteen two-bedroom units, thirteen three-bedroom units, and four four-bedroom units. Five of the new units are reserved for persons with mobility, hearing or vision impairments. Pre-development preparation began in the second quarter.
- Home Investment Partnership Program – BURA released a supplemental call for projects on July 26, 2018, through the Federal HOME Investment Partnership Act seeking proposals from experienced developers, to assist in the development of affordable housing projects in the City. At the end of the second quarter, ten proposals had been received, and BURA invited four of the developers to submit a full HOME Application with a deadline of May 15, 2019.

BURA is continuously providing resources for emergency housing repairs and emergency roof repairs, weatherization programs, down payment assistance and home buyers education workshops.

Outside of the non-federal grants, BURA received \$475,000 from the Evans fund with a remaining balance of \$140,000 budgeted for various programs including the target street program which provides funds for code-related repairs and lead abatement, the emergency roof program, weatherization assistance program and the down payment closing costs assistance program. At the end of the third quarter BURA has expended \$45,100 and has a remaining balance of \$94,900.

In addition, to the Evans Bank donation, BURA also received \$350,000 from the Local Initiatives Support Corporation ("LISC"), with \$87,500 budgeted in the current year. This funding is to be used for targeting "zombie properties" in the City. Programs include engaging with a consultant to prepare the City's Housing Opportunity Strategy, providing outreach and counseling for those facing foreclosure, and creating a database on vacant and abandoned properties. Such a program includes working with the following:

- Western New York (“WNY”) Law Center – Partnership with the WNY Law Center for outreach to assist homeowners who may be facing foreclosure. The WNY Law Center has designed and distributed postcards and/or letters to properties that have had lis pendens filed against them and continues to work with local officials to collaborate on foreclosure prevention outreach events. In addition, the WNY Law Center continues to hold a monthly Distressed Properties Task Force meeting bringing community groups together with the City to collaborate on the issue of vacant and abandoned properties.

These projects are examples of some of the targeted investment that BURA is currently making in the City.

Administration and Planning Costs

The Adopted Budget included \$3.9 million for Administration and Planning. BURA’s third quarter budget was \$2.1 million of \$3.9 million, or 53.8 percent of the total budget. Actual expenditures were \$2.6 million, or \$0.5 million higher than the budgeted amount, which reflects timing and is not a permanent variance expected at year-end.

Total expenditures for the third quarter ended March 31, 2019, including both program costs and administration and planning, were \$6.9 million, or 52.7 percent of total budgeted expenditures. At the end of the third quarter, there is a variance of \$309,600 that will be closed out at the end of the year. The following schedule summarizes Administration and Planning costs and total expenditures as of the third quarter.

	<u>2018-19</u> <u>Adopted</u> <u>Budget</u>	<u>2018-19</u> <u>3rd Quarter</u> <u>Budget</u>	<u>2018-19</u> <u>Actual YTD-</u> <u>3rd Quarter</u>	<u>Variance-Actual to</u> <u>Budget</u>	
				<u>\$</u>	<u>%</u>
Admin & Planning Costs					
CDBG Admin @ 20% cap including Program Income	\$ 2,935,543	\$ 1,467,772	\$ 1,876,081	\$ 408,309	27.8%
HOME Admin Costs @ 10% cap including Program Income	337,528	203,000	341,716	138,716	68.3%
Justice Assistance Grant Costs	34,218	18,000	17,940	(60)	-0.3%
General Fund Costs	617,900	445,425	396,812	(48,613)	-10.9%
Subtotal	<u>\$ 3,925,189</u>	<u>\$ 2,134,197</u>	<u>\$ 2,632,549</u>	<u>\$ 498,352</u>	<u>23.4%</u>
Total Program Costs	<u>\$ 9,181,500</u>	<u>\$ 5,070,638</u>	<u>\$ 4,262,658</u>	<u>\$ (807,980)</u>	<u>-15.9%</u>
Total Expenditures	<u>\$ 13,106,689</u>	<u>\$ 7,204,835</u>	<u>\$ 6,895,207</u>	<u>\$ (309,628)</u>	<u>-4.3%</u>

Current year-end projections do not deviate significantly when compared to the Adopted Budget amounts for Administration and Planning costs. Currently, thirty-five of the thirty-eight budgeted positions are filled; there are no projected savings as resources would be used for program costs in the event they are unused for administration and planning.

Salary and Fringe Benefits

Salary and fringe benefit expenditures are included in both program costs and administration and planning costs. BURA carefully monitors personnel expenditures to ensure administrative caps are not exceeded and other restrictions are met. Total personnel service costs through the third quarter total \$2.7 million consisting of \$1.7 million in salaries, \$0.6 million in health insurance, \$0.2 for pension costs, \$129,445 for employer payroll taxes total \$129,445, and \$52,000 for remaining other fringe benefits.

The following schedule summarizes salary and fringe benefits expenditures for BURA employees for the period July 1, 2018 through March 31, 2019:

Salary and Fringe Benefits Expenses							
July 1, 2018 - March 31, 2019							
	<u>Salary</u>	<u>FICA</u>	<u>Pension</u>	<u>Health</u>	<u>All Other</u>	<u>Total</u>	<u>Total</u>
	<u>Expense</u>	<u>Expense</u>	<u>Expense</u>	<u>Insurance</u>	<u>Fringe</u>	<u>Fringe</u>	<u>Personnel</u>
					<u>Benefits</u>	<u>Benefits</u>	<u>Costs</u>
CDBG Projects/Programs:							
Public Facilities	\$ 92,217	\$ 6,822	\$ 13,957	\$ 30,582	\$ 2,753	\$ 54,114	\$ 146,331
Public Infrastructure Impr.	8,966	660	-	2,793	233	3,686	12,652
Demolition/Clearance	47,141	3,489	5,837	15,083	1,390	25,799	72,940
Community Crime Prevention	48,809	3,612	6,532	15,641	1,454	27,239	76,048
Homeownership Assistance	9,467	701	2,137	2,896	295	6,029	15,496
Rehabilitation	170,195	12,596	22,503	53,256	5,123	93,478	263,673
Economic Development	-	-	-	-	-	-	-
Program Delivery	\$ 376,795	\$ 27,880	\$ 50,966	\$ 120,251	\$ 11,248	\$ 210,345	\$ 587,140
Policy, Planning, Management	\$ 294,170	\$ 21,781	\$ 36,524	\$ 98,604	\$ 8,773	\$ 165,682	\$ 459,852
General Administration	525,286	38,883	73,080	166,724	15,967	294,654	819,940
Administrative	819,456	60,664	109,604	265,328	24,740	764,159	2,130,605
Total CDBG	\$1,196,251	\$ 88,544	\$ 160,570	\$ 385,579	\$ 35,988	\$ 974,504	\$ 2,717,745
HOME	\$ 403,617	\$ 29,875	\$ 58,753	\$ 131,599	\$ 12,161	\$ 232,388	\$ 636,005
All Other Programs	148,892	11,026	22,518	50,835	4,362	88,741	237,633
Total	\$1,748,760	\$ 129,445	\$ 241,841	\$ 568,013	\$ 52,511	\$ 991,810	\$ 2,740,570

Other Notable Items/Conclusions

- BURA is dependent on HUD funding, and potential future decreases would place additional stress on the organization. Current year HUD awards total \$18.8 million, which is an increase over the prior year's total award of \$16.6 million. Before the current year increase, HUD entitlement funding had been decreasing annually.

- BURA is attempting to maximize various revenue streams and has been successful in past years in identifying additional amounts outside of the HUD entitlement funds. These additional resources are for targeted projects. Two such sources provided in prior years and being expended this year include a grant from Evans Bank in the amount of \$475,000 and Local Initiatives Support Corporation in the amount of \$350,000. In addition, \$465,000 has been received from the dissolution of the Buffalo Economic Renaissance Corporation (“BERC”), as they were remaining funds to be remitted back to BURA. These resources are planned for use in the 2019-20 budget and are restricted for the purposes they may be used for.
- BURA settled a collective bargaining agreement with CSEA Local 815 in fiscal year 2017-18 which provides BURA with estimates for out-year costs. The labor contract expires June 30, 2020.