



DATE: March 17, 2010

TO: Honorable Mayor and City Councilmembers

FROM: Neighborhood Services Department

SUBJECT: **APPROVAL OF THE FY 2010-2011 COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM BUDGET; APPROVAL TO ALLOCATE FUNDING FOR VARIOUS HOUSING AND COMMUNITY DEVELOPMENT ACTIVITIES, PLANNING, AND PROGRAM ADMINISTRATION; AND, APPROVAL TO ALLOCATE GRANT FUNDING FOR VARIOUS PUBLIC SERVICES AND HOMELESS PROGRAMS**

SYNOPSIS

Staff recommends that the City Council approve the 2010-2011 Community Development Block Grant (CDBG) program budget; approve the allocation of funding for various eligible activities; and authorize the Neighborhood Services Director to execute agreements with subrecipients for the use of CDBG public services funds as approved by the City Council.

BACKGROUND

The U.S. Department of Housing and Urban Development (HUD) manages four grant programs through the Community Planning and Development (CPD) office:

- ◆ Community Development Block Grant (CDBG) Program for housing rehabilitation, capital improvements, public services, economic development, and other community development activities
- ◆ HOME Investment Partnership (HOME) program to promote homeownership for low-income families and to develop new rental housing for low- and very low-income individuals and families
- ◆ Emergency Shelter Grants (ESG) program for activities to prevent homelessness, support transitional housing for formerly homeless individuals and families, and provide essential services to homeless individuals and families. The City does not receive ESG funds.
- ◆ Housing Opportunities for Persons with AIDS (HOPWA) program to provide housing and supportive services for persons disabled by AIDS, and for their families. The City of Oceanside does not receive HOPWA funds.

Congress appropriates funding for the CPD programs as part of the HUD/Transportation appropriations bill; HUD then determines the entitlement for each participating jurisdiction by a formula based on a number of factors. The City may allocate its CDBG funding to a range of eligible activities, including housing rehabilitation, capital improvement projects,

public services, economic development, and other community development activities. To be eligible for CDBG funding, activities must meet one of three national objectives:

- 1) Benefit primarily low- and moderate-income individuals, households or neighborhoods;
- 2) Prevent or eliminate slums and blight;
- 3) Meet an urgent local need (such as the firestorms in San Diego County).

HUD regulations require that the City use HOME funding to promote homeownership or to develop housing projects affordable to low- and very-low income individuals and families, such as the *La Mision* mixed-use development on Mission Avenue or the Lil Jackson senior housing project on Lake Boulevard.

HUD regulations require that a participating jurisdiction adopt a five-year Consolidated Plan for Housing and Community Development and annual Action Plans. The Consolidated Plan demonstrates how a local jurisdiction will address the national goals of decent housing, a suitable living environment, and expanded economic opportunity for all residents. The Consolidated Plan lists the City's objectives for affordable housing, homeless services, community services, neighborhood revitalization and economic development. The Consolidated Plan shows how the City will use available resources including the block grant funds, City funds and other resources to implement plans and activities that address the objectives. The City Council adopted the 2005-2010 Consolidated Plan in May 2005; this plan will expire on June 30, 2010. The City must adopt a plan for 2010-2015 to be eligible for CDBG, HOME and other HUD funds.

The five-year Consolidated Plan provides the framework for the City's annual Action Plan. This annual plan presents the specific strategies and activities the City will undertake to fulfill the goals and objectives of the Consolidated Plan during a particular year, and shows how available resources will be used during that year as determined by the City Council. The 2010-2015 Consolidated Plan and 2010-2011 Action Plan will be available for public review and comment on March 29, 2010, and will be submitted to the City Council on May 5, 2010.

On October 14, 2009, the City Council approved a number of changes to the CDBG program for 2010-2011:

1. The City Council approved renewing CDBG public services funding for 2010-2011 only for organizations and agencies that provide services or programs that serve residents of the lowest-income neighborhoods of the City through activities and programs in the City's recreation centers, resource centers and senior centers, conditional upon the availability of funds from HUD for the CDBG program. CDBG program regulations limit public services funding to fifteen percent of the total amount awarded to the City. The City will not accept new applications for CDBG public services for 2010-2011.
2. The City Council deobligated CDBG public services funding for organizations that were awarded CDBG services grants for housing programs, and allocated funding for these programs out of the Mortgage Revenue Bond Fund.

On February 24, 2010, the City Council approved a Neighborhood Revitalization Strategy Area (NRSA) Plan for the Crown Heights and a portion of the Eastside neighborhoods. If the HUD-Los Angeles Field Office approves this NRSA Plan, the City may be able to fund public services programs in the NRSA beyond the fifteen percent cap on such services, thus freeing up CDBG funds for the community resource centers.

Neighborhood Services Department staff prepare the overall CDBG budget (Exhibit A) with funding recommendations under the categories of Administration and Planning, Housing Rehabilitation, Neighborhood Revitalization, Code Enforcement, payment of principal and interest against loans received through the Section 108 Loan Guarantee Program, and Code Enforcement. The City does not anticipate funding any capital improvement projects with CDBG funds in 2010-2011.

ANALYSIS

In October 2009, the City Council approved awarding CDBG grants for public services in FY 2010-2011 to those organizations that were funded in 2009-2010. It is necessary for the City Council to approve grant awards each year based on the actual entitlement funding.

1. Public Services Funding

The Public Services category includes services and programs for youth, senior citizens, adults with disabilities, homeless persons and other activities that benefit low- and moderate-income individuals, families and neighborhoods. HUD regulations restrict the use of CDBG funds for public services to no more than 15 percent of the sum of the annual entitlement plus program income from the prior year. The City anticipates that CDBG funds for 2010-2011 will be similar to the funds received in 2009-2010, with the capped amount for public services projected at \$280,000. If CDBG entitlement funds for 2010-11 are more or less than in the current program year, the City will adjust subrecipient grant awards by the percentage difference; no grant award will be less than \$7,500. Since CDBG public services funding in 2010-2011 is a renewal of the current year's awards, the ad hoc Application Review Committee did not meet. The list of projects for CDBG public services funding in 2010-2011 is included in Exhibit A. This list has been adjusted from the 2009-2010 CDBG awards based on Council action to limit funding to programs and activities that work out of City resource centers, parks and recreation facilities, and senior centers, and that serve CDBG-eligible neighborhoods.

2. Neighborhood Revitalization

The City will work with Community HousingWorks as a Community-Based Development Organization (CBDO) to be eligible for exemption from the fifteen percent cap on funding for public services in the NRSA. The City believes that the NRSA strategy plan will be approved by HUD prior to June 30, 2010; this approval will allow the City to contract with Community HousingWorks as a CHDO for implementation of NRSA objectives and strategies including economic development projects. A second component of the contract with Community HousingWorks will be to allocate funds for afterschool and summer programs that promote positive youth development and reduce the incidence of

involvement in youth gangs, such as Camp Fire USA, North County Lifeline and/or other youth-serving organizations provide. Exhibit A shows an allocation of \$50,000 to Community HousingWorks for NRSA project implementation and youth services. This allocation presumes HUD approval of the NRSA Plan with the possibility of providing public services in the neighborhoods beyond the fifteen percent cap.

3. Homeless Prevention and Homeless-serving Programs

The American Recovery and Reinvestment Act (ARRA) of 2009 appropriated \$1.5 billion for a Homelessness Prevention Fund. This fund supports the Homelessness Prevention and Rapid Re-Housing Program (HPRP). The HPRP provides funds for short- or medium-term rental assistance, security and utility deposits, utility payments, case management and other services for individuals and families who are at risk of becoming homeless, and the rapid re-housing of homeless individuals and families. Funds may not be used for shelters, transitional housing or programs for chronically homeless individuals. The City received \$742,791 for the program; the City must spend sixty percent of the funds within two years and 100 percent within three years. The Neighborhood Services Department - Housing and Code Enforcement Division manages HPRP activities in partnership with social service agencies and local school districts.

The City funds other homeless-serving programs with an allocation from the Mortgage Revenue Bond Fund, including the regional winter shelter program managed by the Alliance for Regional Solutions.

4. Housing Programs

In October 2009, the City Council approved the deobligation of CDBG public services funds for agencies that provide emergency housing services and supportive services, and allocated funds from the Mortgage Revenue Bond (MRB) Fund to replace the CDBG funds. The Neighborhood Services Department will include funding for these agencies from the MRB Fund as part of its 2010-2011 Budget. Agencies recommended for funding and amounts are these:

- Casa de Amparo - housing for abused and neglect children \$7,500
- Fraternity House - housing for very low-income persons with AIDS/HIV+ \$7,600
- Women's Resource Center - crisis shelter for domestic violence victims \$11,820
- YMCA Oz North Coast - shelter for homeless and runaway youth \$17,800
- Total proposed funding for housing programs from the MRB Fund \$44,720

Funding for these programs is also shown on Exhibit A.

5. Capital Improvement Projects

The City does not anticipate using CDBG funds for any capital improvement projects in 2010-2011; any proposed projects will be brought to the City council for approval. The ARRA of 2009 appropriated additional CDBG funding to be awarded according to the standard CDBG formula; the City was awarded \$485,796 of CDBG-Recovery Act funds. On October 14, 2009, the City Council awarded CDBG-Recovery Act funds for these projects:

- Improvements to the Country Club Senior Center: plans have been completed and the City will come to the City Council to approve going out for bids on the project.

- Kitchen expansion at the Mental Health Services - Family Recovery Center: the agency has completed plans and is seeking bids for the project.
- A new roof for the Women's Resource Center transitional housing facility: the agency has received bids for the project and will choose a contractor in the next month, with work to begin shortly thereafter.
- Equipment and furnishings to expand the women's clinic at the North County Health Services Oceanside Clinic: all equipment has been installed and the project is near to completion.
- Energy Efficiency and Conservation Projects: The City has thus far awarded funds to the YMCA Oz North Coast Shelter for energy efficient windows and to upgrade the electrical system, to the Alano Club for energy efficient windows, and for new energy efficient doors and windows in the Code Enforcement building.

6. Enhanced Code Enforcement

CDBG funds have supported code enforcement activity to enhance enforcement activity in targeted low-income neighborhoods for the past nine years. This program has been very successful in alleviating spot blight conditions that cause established neighborhoods to decline, both in appearance and in property value. Enhanced code enforcement has been of particular importance as part of the Calle Montecito Neighborhood Revitalization Strategy, and will be a significant component of the Crown Heights revitalization program. The proposed 2010-2011 CDBG budget will fully fund two Code Enforcement officers, continue support for the Graffiti Tracker Program and provide operating costs for the graffiti eradication vehicle.

A program audit by HUD staff noted that code enforcement activities supported by CDBG funds must be balanced with housing rehabilitation programs for both owner-occupied and rental units. The City has a successful rehabilitation program for owner-occupied homes (loans) and mobilehomes (grants). A rental rehabilitation program including tenant-based rental rehabilitation (TBRR) was approved by the City Council on March 2, 2005; the City targets TBRR funds for projects in the Crown Heights neighborhood.

Code Enforcement officers manage the annual Supporting Urban Neighborhoods (S.U.N.) volunteer-based neighborhood improvement program, which is funded in part under the CDBG program.

7. Administration, Planning, and Housing Rehabilitation

The Administration and Planning category includes housing program development, grants administration, fair housing activities and neighborhood revitalization programs. HUD regulations restrict administration and planning activities to no more than 20 percent of the entitlement plus current year program income; the proposed budget of \$375,000 is at this limit.

The 2010-2011 CDBG budget includes \$550,000 for the Housing Rehabilitation Program:

- \$320,000 for low-interest loans to low-income homeowners for rehabilitation of owner-occupied single-family homes;
- \$100,000 for the City's mobilehome improvement program (MHIP) grants to very low-income seniors and persons with disabilities to rehabilitate their coaches; and

- \$130,000 for rehabilitation project management and loan services.

The Neighborhood Services Department manages housing rehabilitation programs. The downturn in housing prices and consequent loss of equity for many homeowners has made it difficult for them to qualify for the single-family rehabilitation program. As a result, the Department has increased the number of mobilehome improvement grants.

8. Other CDBG-Funded Activities

The City received \$3,500,000 through the Section 108 Loan Guarantee Program for construction of Fire Station 7; payments on this loan began in 2008-09 and will continue for twenty years, with \$267,703 budgeted for 2010-2011.

The City has submitted an application for up to \$6.5 million for construction of the Joe Balderrama Community Center; acceptance of this loan is conditional upon successful application for State bond funds. If HUD approves the loan and the City accepts it, payments would most likely begin in FY 2011-2012. This is the maximum that the City can seek through the Section 108 Loan Guarantee Program.

9. Allocation Process

Action by the City Council will be to approve, modify or deny the overall CDBG budget, and approve allocation of CDBG public services funding. Once the Council takes action on CDBG allocations, staff will incorporate the proposed activities into the Program Year 2010 Action Plan along with other housing and community development activities. The 2010-11 Action Plan will include all activities supported by HUD funding, including funds from the HOME Investment Partnership Program to increase the supply of affordable housing and to assist low-income first-time homebuyers. The Action Plan includes how the City is using ARRA funds (CDBG-R and HPRP), and funds made available from the State of California under the Neighborhood Stabilization Program (NSP).

The Action Plan will be available for public review beginning March 29. Following a 30-day comment period, the City will submit the 2010-11 Action Plan together with the 2010-2015 Consolidated Plan to the Council on May 5, 2010 for review and approval. The City must submit an approved five-year Consolidated Plan and one-year Action Plan to the HUD Los Angeles Field Office for review no later than May 14, 2010. Following HUD acceptance of the plan and the completion of environmental reviews by City staff, the CDBG entitlement funds will be available for expenditure beginning July 1, 2010. The availability of funds may be delayed due to the lateness of Congressional appropriations; The City cannot sign contracts with CDBG subrecipients or approve payments until the City has received and signed funding agreements from HUD.

In order to improve administration and management of public services grants, staff recommends that the City Council authorize the Neighborhood Services Director to sign contracts and public services agreements with subrecipients that are less than \$25,000. Contracts in excess of \$25,000 are submitted to the City Manager for signature. Public services grants to subrecipients are limited to no more than \$35,000. Capital improvement projects have no specific upper limit, but when the City awards CDBG funds in excess of \$50,000 for capital projects, the subrecipient signs forgivable loan documents with the requirement that the funded project serve low- and moderate-income individuals, households or neighborhoods for at least five years.

FISCAL IMPACT

The approved FY 2010-11 CDBG grant allocations will be incorporated into the City's FY 2010-2011 budget. CDBG-funded projects and activities do not require matching funds from the General Fund or the subrecipient agency. CDBG funds that are not allocated remain in a contingency fund until allocated; HUD encourages participating jurisdictions to use entitlement funds in a timely manner. Public services allocations must be used by the end of the particular program year; capital projects should be completed within twenty-four months. CDBG funds must supplement and may not supplant other funds.

The City receives CDBG program income from repayment of homeowner rehabilitation loans in varying amounts from year to year; such income has been low in the current program year and is expected to remain low in FY 2010-11. Program income must be used before drawing down funds from the U.S. Treasury. CDBG regulations limit funding for public service activities to 15 percent of entitlement funds plus program income, and funding for program administration and planning to 20 percent of the same figure. As a result, allocations to public services are limited to \$275,000 and funding for administration and planning is limited to no more than \$375,000 for FY 2009-10. The City seeks to remain below the 20 percent cap for administration and planning.

Congress adopted an omnibus appropriations bill including funding for HUD in December 2009. The proposed CDBG budget and allocation of funds for 2010-11 are based on the entitlements for the current program year; these allocations may need revision once HUD releases awards for 2010-2011. The City will increase or decrease CDBG public services grants based on the percentage increase or decrease in the amount made available to the City. City staff will bring any revisions to the 2010-2011 CDBG budget and allocation of public services funds to the City Council on May 5, 2010, as part of the approval of the Action Plan.

COMMISSION OR COMMITTEE REPORT

Since the City Council approved funding all 2009-2010 CDBG subrecipients in 2010-2011, the ad hoc application review committee did not meet this year. The goals, objectives and strategies of the 2010-2015 Consolidated Plan and 2010-2011 Action Plan will be presented to the Housing, Parks & Recreation and Community Relations Commissions in March and April.

CITY ATTORNEY'S ANALYSIS

The City Council is authorized to hold a public hearing in this matter. Consideration of this matter should be based on the testimony and evidence presented at the hearing. After conducting the hearing, the Council shall adopt, modify or deny the recommendations contained in this report. The supporting document has been reviewed and approved as to form.

RECOMMENDATION

Staff recommends that the City Council approve the 2010-2011 Community Development Block Grant (CDBG) program budget; approve the allocation of funding for various eligible activities; and authorize the Neighborhood Services Director to execute agreements with subrecipients for the use of CDBG public services funds as approved by the City Council.

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SUBMITTED BY:



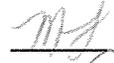
Peter A. Weiss
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REVIEWED BY:

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ATTACHMENTS:

Exhibit A: Proposed FY 2010-2011 CDBG Budget

**Community Development Block Grant Program
2010-2011 Budget and Allocation of Funds**

EXHIBIT A

Revenue	CDBG		
a. CDBG Entitlement 2010-2011 (estimated from 2009-10)	\$ 1,812,839		
b. CDBG Program Income 2010-11 (estimated)	\$ 65,000		
c. Contingency available for allocation	\$ -		
Total Revenue (est.)		\$ 1,877,839	
Expenditures	CDBG		
a. Admin/Planning: CDBG 20% = \$375,560			
1. Housing Program Development	\$ 160,000		
2. Fair Housing Programs	\$ 10,000		
3. Grants Administration	\$ 175,000		
4. Neighborhood Revitalization	\$ 30,000		
Total Administration and Planning		\$ 375,000	
b. CDBG Public Services = \$280,000			
1. Parks & Recreation Teens	\$ 18,600		
2. Parks & Recreation 4 Kids Sake	\$ 18,200		
3. Angel's Depot Food for a Week	\$ 8,540		
4. Brother Benno Foundation	\$ 14,148		
5. Boys & Girls Club Gangbusters	\$ 22,308		
6. Boys and Girls Club Senior Fitness	\$ 9,176		
7. Boys & Girls Club Libby Lake	\$ 12,000		
8. Interfaith Community Services	\$ 7,804		
9. Ivey Ranch Park Association	\$ 7,542		
10. North County Health Services	\$ 15,000		
11. Senior Citizens Association Senior Nutrition	\$ 34,400		
12. VCC Teen REACH	\$ 23,600		
13. Community Resource Centers	\$ 88,682		
Total Public Services		\$ 280,000	
c. Neighborhood Revitalization Programs			
1. Community HousingWorks NRSA Impelmentation	\$ 20,000		
2. Youth programs in NRSA through CHW*	\$ 30,000		
<i>*includes CampFire USA and North County Lifeline</i>			
Total NRSA projects and activities		\$ 50,000	
c. Housing Rehabilitation			
1. Single Family Rehabilitation Loans	\$ 320,000		
2. Mobilehome Rehabilitation Grants	\$ 100,000		
3. Project Management	\$ 70,000		
4. Loan Services	\$ 60,000		
Total Housing Rehabilitation		\$ 550,000	
d. Code Enforcement Programs	\$ 225,000	\$ 225,000	
e. S.U.N. 2010	\$ 100,000	\$ 100,000	
f. Section 108 Loan Payment			
1. Fire Station No. 7	\$ 267,703.00		
Total Loan Payments		\$ 267,703	
g. Unallocated funds		\$ 30,136	
Total 2010-2011 CDBG Budget		\$ 1,877,839	
h. Housing Programs (Mortgage Revenue Bond Funds)			
1. Casa de Amparo	\$ 7,500		
2. Fraternity House	\$ 7,600		
3. Women's Resource Center Emergency Shelter	\$ 11,820		
4. YMCA Oz North Coast Shelter	\$ 17,800		
Total MRB funds for housing programs		\$ 44,720	