



DATE: March 27, 2013
TO: Honorable Mayor and City Councilmembers
FROM: Neighborhood Services Department
SUBJECT: **APPROVAL OF THE FY 2013-2014 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 2013-2014 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
- ◆ 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 does not receive ESG or HOPWA funds.

Congress appropriates funding for CPD programs each year as part of the HUD/Transportation appropriations bill. HUD then determines the entitlement grant for each participating jurisdiction by a formula based on a number of factors including population, poverty level and the age of housing in the jurisdiction.

CDBG Program: The primary objective of the CDBG Program is the development of viable urban communities, principally for low- and moderate-income persons, through decent housing, a suitable living environment and expanded economic opportunity. The City may allocate its CDBG funding to a range of eligible activities, including housing rehabilitation, capital improvement projects, public services, code enforcement, economic development, and other community development activities. All activities funded through the CDBG program must meet one of three National Objectives:

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

HOME Program: HUD regulations require that participating jurisdictions use HOME Program funds to promote homeownership and/or to develop housing projects affordable to low- and very low-income individuals and families. The City has a first-time homebuyer program for low-income households that meet financial eligibility requirements. The City also uses HOME funds for housing projects such as the Mission Cove mixed-use housing development on Mission Avenue and the Lil Jackson senior housing project on Lake Boulevard. HUD regulations limit (“cap”) use of HOME funds for program management to ten percent of the entitlement grant for the year.

HUD regulations (24CFR570) 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, and 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 financial 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 2010-2015 Consolidated Plan on May 5, 2010; this plan will expire on June 30, 2015.

The five-year Consolidated Plan provides the framework for the City’s annual Action Plan. The Action 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 draft 2013-2014 Action Plan will be available for public review and comment on April 1, 2013; staff will submit the plan to the City Council on May 1, 2013.

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, Public Services, payment of principal and interest against loans received through the Section 108 Loan Guarantee Program, and Code Enforcement. The City's actual CDBG and HOME FY 2013-14 funding allocation will not be known until Congress adopts a federal budget or passes a continuing resolution to fund government. Based on the information currently available regarding pending sequestration reductions, the budget is based on a reduction of 6.1% in FY 2013-14 for CDBG and HOME funding from FY 2012-13 amounts.

ANALYSIS

The City's actual CDBG and HOME FY 2013-14 funding allocation will not be known until Congress adopts a federal budget or passes a continuing resolution to fund government. Based on the information currently available, staff anticipates that the City will receive \$1,108,685 in CDBG funding, \$53,242 in CDBG program income, and \$373,530 in HOME funding for FY 2013-14. These figures reflect a 6.1 percent reduction in both programs from FY 2012-13 resulting from sequestration. The reduction in the City's CDBG funding allocation for FY 2013-14 is expected to be \$72,023. An increase of \$12,241 in CDBG program income for FY 2013-14 reduces the expected decrease in available CDBG funds for FY 2013-14 to \$59,782. This reduction in overall grant funding impacts how much can be used for administration and planning, and how much for public services, which are restricted by percentage "caps".

The reduction in CDBG Public Services funding for FY 2013-14 due to Sequestration is \$9,510.

The reduction in CDBG Administration and Planning funding for FY 2013-14 due to Sequestration is \$12,615. In addition to that reduction, the budget for Program Management and Loan Services for the Housing Rehabilitation Program is being reduced by \$40,000 from the 2012-13 budgeted amount to reflect the drop in Single-Family Rehabilitation Loan Program participants due to existing housing market conditions.

1. Public Services Funding

The Public Services category includes services and programs for youth, senior citizens, adults with disabilities and 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 fifteen percent of the sum of the annual entitlement plus program income from the prior year. CDBG funds for public services in 2013-14 will be capped at approximately \$174,290. The City Council has previously directed that no public services grant be less than \$7,500; this is consistent with HUD guidelines. Any CDBG funds expended beyond the fifteen percent cap must be returned to the U.S. Treasury from a non-federal source.

The list of agencies and programs recommended for CDBG public services funding in 2013-14 is shown in Exhibit A. This list is based on direction by the City Council on December 14, 2011, to limit funding to programs and activities that work out of City resource centers, recreation facilities and senior centers, or that serve CDBG-eligible neighborhoods. The limitations on available funding mean that no CDBG funds will be available for emergency services, health services or programs for children and youth other than those at City recreation centers or community resource centers. The reductions this year required the elimination of the \$7,500 in funding to Angel's Depot and reductions in funding to Oceanside Senior Citizens Association, Vista Community Clinic, and North County Lifeline totaling \$2,010 which are evenly divided between those three organizations. Each of these agencies has been notified in writing of the potential elimination or reduction in CDBG funding for FY 2013-14. CDBG funds must be used to supplement, not supplant other funding including existing General Fund support for programs.

2. Neighborhood Revitalization

The City works with Community Housing Works as a Community-Based Development Organization for implementation of goals and objectives of the Crown Heights and Eastside Neighborhood Revitalization Strategy Area (NRSA) Plan. Exhibit A shows an allocation of \$15,000 (planning and administration) to Community Housing Works for this work, which is unchanged from the 2012-13 CDBG budget. The proposed CDBG budget also maintains 2012-13 funding for one 32-hour part-time benefited Community Resource Center Assistant and 50 percent of the funding for a Recreation Supervisor (public services) for Community Resource Center and NRSA activities in the Crown Heights and Eastside neighborhoods.

3. Homeless Prevention and Homeless-serving Programs

The City used allocations from the Mortgage Revenue Bond (MRB) Fund to support the Alliance for Regional Solutions regional winter shelter program in FY 2012-13. MRB funds must be used for housing or homeless-serving programs. The available balance in the MRB Fund has steadily declined due to payoff of bonds issued in past years and limited issuance of housing bonds in recent years. The City recommends using \$30,000 in local housing program funds to support the Alliance for Regional Solutions winter shelters in 2013-14, maintaining the current level of support; no other homeless-serving programs are recommended for funding.

4. Housing Programs

The Neighborhood Services Department manages housing rehabilitation programs including loans to low-income homeowners and grants to very low-income mobilehome owners. 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 mobile home improvement grants. Due to the limited number of loans made in the past two years, the City has accumulated a significant amount of unused rehabilitation funds. In order to

reduce the amount of obligated but unused rehabilitation program funds, the City did not include an allocation for additional funds for loans or grants in the 2012-13 CDBG budget or in the proposed 2013-14 budget. The budget does include \$100,000 for project management and loan services which is a \$40,000 reduction on the 2012-13 budget amount, leaving a vacant Housing Specialist position open until issuance of new loans becomes achievable. The City Council approved allocating CDBG funds in 2012 to Operation Hope of Vista for acquisition of a homeless shelter facility. Acquisition of the facility was completed in September 2012 and the shelter began providing services during the winter of 2012-13. The City is working with North County Solutions for Change on the creation of new low-income housing rental units.

5. 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 the Crown Heights/Eastside neighborhood revitalization program. The proposed 2013-14 CDBG budget will fully fund three Code Enforcement officers for this work, maintaining the same level of support as the 2012-13 budget. Two officers have long been funded by CDBG for work in the revitalization areas. The third CDBG-funded code enforcement officer, first funded in 2011-12, is dedicated to proactive code enforcement instead of being limited to responding to complaints by residents of code violations.

6. Administration, Planning, and Housing Rehabilitation

The Administration and Planning category includes housing program development, grants administration, activities to promote fair housing and management of neighborhood revitalization programs. HUD regulations restrict administration and planning activities to no more than twenty percent of the sum of the current year's entitlement plus current year program income; the proposed 2013-14 CDBG budget of \$232,385 is at this limit.

7. 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 are amortized over twenty years, with \$274,302 due in FY 2013-14.

8. 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 2013 Action Plan along with other housing and community development activities. The

2013-14 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 draft 2013-14 Action Plan will be available for public review beginning April 1. Following a 30-day comment period, the City will submit the Action Plan to the Council on May 1, 2013, for review and approval together with the required federal forms and certifications. The City must submit an approved 2013-14 Action Plan to the HUD Los Angeles Field Office for review no later than May 14, 2013. CDBG entitlement funds will be available for expenditure beginning July 1, 2013. The City cannot sign contracts with CDBG subrecipients or approve payments until the City has signed funding agreements with HUD and completed all environmental reviews.

The City does not anticipate any increase in CDBG funding for the rest of the 2010-2015 Consolidated Plan period. If this is the case, the City will recommend the same allocations of CDBG public services funds for FY 2014-15. The City anticipates very limited funds for any capital projects.

If the decrease in the City's 2013-14 CDBG allocation is greater than anticipated, this would further reduce the cap on administration and planning and public services. In this event, the three public service organizations funded in the budget would be further reduced.

FISCAL IMPACT

Staff anticipates that the City will receive \$1,108,685 of CDBG entitlement funds in 2013-2014 together with an estimated \$53,242 in program income from loan repayments. The approved FY 2013-14 CDBG grant allocations will be incorporated into the City's FY 2013-14 budget. CDBG-funded projects and activities do not require matching funds from the General Fund or any 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. Program income has been low in the current program year and is expected to remain low in FY 2013-14. Program income must be used before drawing down funds from the U.S. Treasury. CDBG regulations limit funding for public service activities to fifteen percent of entitlement funds plus the prior year's program income, and funding for program administration and planning to twenty percent of the entitlement plus current year program income. The City estimates that no more than \$174,290 will be available for allocations to public services and \$232,385 for administration and planning for FY 2013-14. The City seeks to remain below the 20 percent cap on program administration.

CDBG and HOME funds are drawn down only as reimbursement for expenditures. All expenditures must be for eligible activities and according to the budget approved by the

City Council. CDBG funds are in Fund number 237. The CDBG Program has no impact on the General Fund.

COMMISSION OR COMMITTEE REPORT

Based on action of the City Council, the City did not receive applications for CDBG funding for 2013-14 and the ad hoc application review committee did not meet. The goals, objectives and strategies of the 2013-14 Action Plan will be presented to the Housing and Parks & Recreation 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.

RECOMMENDATION

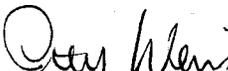
Staff recommends that the City Council approve the 2013-2014 Community Development Block Grant (CDBG) program budget; approve the allocation of funding for various eligible activities; and authorize the Neighborhood Services Director to execute agreements with subrecipients for the use of CDBG public services funds as approved by the City Council.

PREPARED BY:



Brendan Mangan
Management Analyst

SUBMITTED BY:



Peter A. Weiss
City Manager

REVIEWED BY:

Michelle Skaggs Lawrence, Deputy City Manager

Margery M. Pierce, Director, Neighborhood Services

Teri Ferro, Director, Financial Services







ATTACHMENTS:

- Exhibit A: Proposed FY 2013-14 CDBG Budget
- Exhibit B: Proposed CDBG Budget Changes from FY 2012-13

CDBG PROGRAM BUDGET 2013-14 (approved by City Council _____)

Revenue 2013-14

a. CDBG entitlement grant	\$ 1,108,685	
b. Program income prior year (est.)	\$ 53,242	
c. Program income current year	\$ 53,242	<i>MHS Loan</i>
Total CDBG Revenue current year	\$ 1,161,927	

Expenditures 2013-14**a. CDBG Administration and Planning:**

1. Housing Program Development	\$ 141,045	
2. Fair Housing Programs	\$ 20,000	
3. Grants Administration	\$ 56,340	
4. Neighborhood Revitalization Planning	\$ -	
5. Neighborhood Revitalization (CHW)	\$ 15,000	
Total Administration and Planning / Cap	\$ 232,385	<i>at 20% cap</i>

Admin and Planning cap figured at 20% entitlement plus **current** year program income

b. CDBG Public Services:

1. Parks & Recreation Teens	\$ 18,600	
2. Parks & Recreation 4 Kids Sake	\$ 18,200	
3. Angel's Depot Food for a Week	\$ -	
4. Brother Benno Foundation	\$ -	
5. Boys & Girls Club Gangbusters	\$ -	
6. Boys & Girls Club Libby Lake	\$ -	
7. Senior Fitness	\$ -	
8. Interfaith Community Services	\$ -	
9. Ivey Ranch Park Association	\$ -	
10. North County Health Services	\$ -	
11. Oceanside Senior Citizens Association	\$ 17,330	
12. Vista Community Clinic Teen REACH	\$ 13,580	
13. Community Resource Centers	\$ 93,000	
14. North County Lifeline Youth Programs	\$ 13,580	
16. S.U.N/Neighborhood Clean-up Activities	\$ -	
Total Public Services and Cap	\$ 174,290	<i>at 15% cap</i>

Public Services cap figured at 15% entitlement plus **prior** year's program income

d. Housing Rehabilitation

1. Single Family Rehabilitation Loans*	\$ -	prior year \$
2. Mobilehome Rehabilitation Grants	\$ -	prior year \$
3. Program Management and Loan Services	\$ 100,000	
Total Housing Rehabilitation	\$ 100,000	

e. Section 108 Loan Payment \$ 274,302

f. Code Enforcement \$ 355,000

CDBG Program Expenditures \$ 1,135,977

g. Contingency \$ 25,950

Total CDBG Budget 2013-14 \$ 1,161,927

e. Local housing program funds 2013-14

1. Casa de Amparo	\$ -	
2. Fraternity House	\$ -	
3. Women's Resource Center Emergency Shelt.	\$ -	
4. YMCA Oz North Coast Shelter	\$ -	
5. Alliance for Regional Solutions	\$ 30,000	
Total homeless programs	\$ 30,000	

CDBG PROGRAM BUDGET 2013-14 (approved by City Council _____)

		<u>Change from FY 2012-13</u>
Revenue 2013-14		
a. CDBG entitlement grant	\$ 1,108,685	\$ (72,022)
b. Program income prior year (est.)	\$ 53,242	\$ 13,242
c. Program income current year	\$ 53,242 <i>MHS Loan</i>	\$ 12,241
Total CDBG Revenue current year	\$ 1,161,927	\$ (59,782)
Expenditures 2013-14		
a. CDBG Administration and Planning:		
1. Housing Program Development	\$ 141,045	\$ (8,955)
2. Fair Housing Programs	\$ 20,000	No Change
3. Grants Administration	\$ 56,340	\$ (3,660)
4. Neighborhood Revitalization Planning	\$ -	
5. Neighborhood Revitalization (CHW)	\$ 15,000	No Change
Total Administration and Planning / Cap	\$ 232,385 at 20% cap	\$ (12,615)
Admin and Planning cap figured at 20% entitlement plus current year program income		
b. CDBG Public Services:		
1. Parks & Recreation Teens	\$ 18,600	No Change
2. Parks & Recreation 4 Kids Sake	\$ 18,200	No Change
3. Angel's Depot Food for a Week	\$ -	\$ (7,500)
4. Brother Benno Foundation	\$ -	
5. Boys & Girls Club Gangbusters	\$ -	
6. Boys & Girls Club Libby Lake	\$ -	
7. Senior Fitness	\$ -	
8. Interfaith Community Services	\$ -	
9. Ivey Ranch Park Association	\$ -	
10. North County Health Services	\$ -	
11. Oceanside Senior Citizens Association	\$ 17,330	\$ (670)
12. Vista Community Clinic Teen REACH	\$ 13,580	\$ (670)
13. Community Resource Centers	\$ 93,000	No Change
14. North County Lifeline Youth Programs	\$ 13,580	\$ (670)
16. S.U.N/Neighborhood Clean-up Activities	\$ -	
Total Public Services and Cap	\$ 174,290 at 15% cap	\$ (9,510)
Public Services cap figured at 15% entitlement plus prior year's program income		
d. Housing Rehabilitation		
1. Single Family Rehabilitation Loans*	\$ - prior year \$	
2. Mobilehome Rehabilitation Grants	\$ - prior year \$	
3. Program Management and Loan Services	\$ 100,000	\$ (40,000)
Total Housing Rehabilitation	\$ 100,000	
e. Section 108 Loan Payment	\$ 274,302	\$ 2,286
f. Code Enforcement	\$ 355,000	No Change
CDBG Program Expenditures	\$ 1,135,977	\$ (58,839)
g. Contingency	\$ 25,950	\$ 57
Total CDBG Budget 2013-14	\$ 1,161,927	\$ (59,782)
e. Local housing program funds 2013-14		
1. Casa de Amparo	\$ -	
2. Fraternity House	\$ -	
3. Women's Resource Center Emergency Shelter	\$ -	
4. YMCA Oz North Coast Shelter	\$ -	
5. Alliance for Regional Solutions	\$ 30,000	No Change
Total homeless programs	\$ 30,000	