

*STAFF REPORT**CITY OF OCEANSIDE*

DATE: February 25, 2014  
TO: Chairman and Members of the Housing Commission  
FROM: Neighborhood Services Department  
SUBJECT: **APPROVAL OF THE FY 2014-2015 ANNUAL ACTION PLAN**

**SYNOPSIS:**

Staff recommends that the Housing Commission recommend that the City Council approve the FY 2014-2015 Annual Action Plan.

**BACKGROUND:**

The U.S. Department of Housing and Urban Development (HUD) manages Community Development Block Grant (CDBG) Program for housing rehabilitation, capital improvements, public services, economic development, and other community development activities and the 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 through the Community Planning and Development (CPD) office.

**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, home ownership, capital improvement projects, public services, code enforcement, economic development, and other community development activities. HUD regulations limit ("cap") use of CDBG funds for administration to twenty percent and public services to fifteen percent of the entitlement grant for the year. 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 home ownership, rehabilitation and/or to develop housing projects affordable to low- and very low-income individuals and families. The City uses HOME funds for housing projects such as the Mission Cove mixed-use housing development on Mission Avenue. 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 2014-2015 Action Plan will be available for public review and comment on March 19th, 2014; staff will submit the plan to the City Council on May 7, 2014.

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 CDBG and HOME Budget have been adopted but individual appropriations are still pending for the City’s proposed FY 2014-15 CDBG and HOME funding.

**ANALYSIS:**

Based on the information currently available, staff anticipates that the City will receive \$1,235,472 in CDBG funding, \$53,242 in CDBG program income, and \$429,771 in HOME funding for FY 2014-15. These figures reflect a 2.0 percent reduction in CDBG and 5.0 percent increase in HOME programs from FY 2013-14. The reduction in the City’s CDBG funding allocation for FY 2014-15 is expected to be \$25,214. 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”.

## 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.

The list of agencies and programs recommended for CDBG public services funding in FY 2014-15 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 minimal reductions this year and an increase in program income from FY 2013-14, allowed for Public Services programs to maintain last year's allocations for Oceanside Senior Citizens Association, Vista Community Clinic, and North County Lifeline. 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 HousingWorks as a Community-Based Development Organization for implementation of goals and objectives of the Crown Heights / 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. The proposed CDBG budget will fund two community resource center staff persons (public services) 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 2013-14. 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 local housing program funds to support the Alliance for Regional Solutions winter shelters; 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, consequent loss of equity for many single-

family homeowners, and upside down property values 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 rather than process single-family rehabilitation loans. 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 2013-14 CDBG budget or in the proposed 2014-15 budget. The budget does include \$100,000 for project management and loan services.

#### 5. Enhanced Code Enforcement

CDBG funds have supported code enforcement activity to enhance enforcement activity in targeted low-income neighborhoods for the past ten 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 FY 2014-15 CDBG budget will fully fund three Code Enforcement officers for this work. 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 FY 2014-15 CDBG budget of \$257,743 is at the cap.

#### 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 FY 2008-09 and are amortized over twenty years, with \$275,131 due in FY 2014-15.

#### 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

2014 Action Plan along with other housing and community development activities. The FY 2014-15 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.

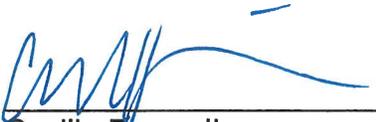
The draft FY 2014-15 Action Plan will be available for public review beginning March 19. Following a 30-day comment period, the City will submit the Action Plan to the Council on May 7, 2014, for review and approval together with the required federal forms and certifications. The City must submit an approved FY 2014-15 Action Plan to the HUD Los Angeles Field Office for review no later than May 15, 2014. CDBG entitlement funds will be available for expenditure beginning July 1, 2014. 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.

If the decrease in the City's FY 2014-15 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.

**RECOMMENDATION:**

Staff recommends that the Housing Commission recommend that the City Council approve the FY 2014-15 Annual Action Plan.

**PREPARED BY:**

  
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Cecilia Barandiaran  
Management Analyst

**SUBMITTED BY:**

  
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Margery M. Pierce  
Director of Neighborhood Services

Exhibit: Proposed FY 2014-15 Annual Action Plan Budget

CDBG PROGRAM BUDGET 2014-15 Annual Action Plan with 2% cut

Revenue 2014-15

a. CDBG entitlement grant	\$ 1,235,472	
b. Program income prior year (est.)	\$ 80,611	
c. Program income current year	\$ 53,242	<i>MHS Loan</i>
<b>Total CDBG Revenue current year</b>	<b>\$ 1,288,714</b>	

Expenditures 2014-15

a. CDBG Administration and Planning:

1. Housing Program Development	\$ 136,003	
2. Fair Housing Programs	\$ 20,000	
3. Grants Administration	\$ 86,740	
4. Neighborhood Revitalization Planning	\$ -	
5. Neighborhood Revitalization (CHW)	\$ 15,000	
<b>Total Administration and Planning / Cap</b>	<b>\$ 257,743</b>	<b>at 20% cap</b>

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	\$ 33,330	
12. Vista Community Clinic Teen REACH	\$ 13,580	
13. Community Resource Centers	\$ 100,122	
14. North County Lifeline Youth Programs	\$ 13,580	
16. S.U.N/Neighborhood Clean-up Activities	\$ -	
<b>Total Public Services and Cap</b>	<b>\$ 197,412</b>	<b>at 15% cap</b>

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	
<b>Total Housing Rehabilitation</b>	<b>\$ 100,000</b>	

e. Section 108 Loan Payment \$ 275,131

f. Code Enforcement \$ 355,000

CDBG Program Expenditures \$ 1,185,286

g. Contingency \$ 103,428

**Total CDBG Budget 2014-15 \$ 1,288,714**

e. Local housing program funds 2014-15

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	
<b>Total homeless programs</b>	<b>\$ 30,000</b>	