

STAFF REPORT*CITY OF OCEANSIDE*

DATE: March 19, 2014

TO: Honorable Mayor and City Councilmembers

FROM: Neighborhood Services Department

SUBJECT: **2014-2015 COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM BUDGET**

SYNOPSIS

Staff recommends that the City Council approve the FY 2014-2015 Community Development Block Grant program budget; approve the allocation of funding for various housing and community development activities, planning, and program administration; and approve the allocation of grant funding for various public services and homeless programs.

BACKGROUND

The City receives Community Development Block Grant (CDBG) and Home Investment Partnership (HOME) funds through the U.S. Department of Housing and Urban Development (HUD). The CDBG Program can be used for housing rehabilitation, capital improvements, public services, economic development, and other community development activities. The HOME Program can only be used to promote homeownership for low-income families and to develop new rental housing for low- and very low-income individuals and families.

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. 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.

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. This year's HOME funds will be allocated to 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. The allocation of HOME funds will be addressed at a future City Council meeting.

ANALYSIS

HUD regulations require that participating jurisdictions adopt a five-year Consolidated Plan for Housing and Community Development and annual Action Plans. 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 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 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 prepares the overall CDBG budget (Exhibit A) with funding recommendations. 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. 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. Per HUD regulations CDBG public service funds will be capped at approximately \$197,412. The list of agencies and programs recommended for CDBG public services funding in FY 2014-15 is shown in Exhibit A. The recommendations are consistent with direction to limit funding to

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. Staff anticipates maintaining last year's public service allocations. 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 recommends using local housing program funds to support the Alliance for Regional Solutions winter shelters.

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. Existing housing programs are funded with prior year dollars; the 2014-15 budget does include \$100,000 for project management and loan services.

5. Enhanced Code Enforcement

For the past ten years CDBG funds have supported code enforcement activity in targeted low-income neighborhoods. This program has been very successful in alleviating 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.

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. Per HUD regulations administration and planning activities are capped; 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, including the public service allocation. Upon approval, staff will incorporate the proposed activities into the Action Plan along with other housing and community development activities. The Action Plan will include all activities supported by HUD funding, including HOME funds.

The draft 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 for review and approval on May 7. 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, although 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.

FISCAL IMPACT

Staff anticipates that the City will receive \$1,235,472 of CDBG entitlement funds and an estimated \$53,242 in program income. The CDBG grant allocation will be incorporated into the City's FY 2014-15 budget. Public service and planning and administration allocations must be used by the end of the particular program year; capital projects should be completed within twenty-four months.

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 prior City Council direction, the City did not receive applications for CDBG funding and the ad hoc application review committee did not meet. The goals, objectives and strategies of the FY 2014-15 Action Plan were to be presented to the Housing Commission at the February 25th meeting but the meeting was cancelled due to a lack of a quorum.

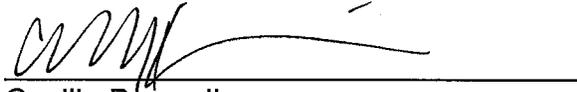
CITY ATTORNEY'S ANALYSIS

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 FY 2014-2015 Community Development Block Grant program budget; approve the allocation of funding for various housing and community development activities, planning, and program administration; and approve the allocation of grant funding for various public services and homeless programs.

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ATTACHMENTS:

Exhibit A: Proposed FY 2014-15 CDBG Budget

CDBG PROGRAM BUDGET 2014-15 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>

Total CDBG Revenue current year \$ 1,288,714

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 (CHW)	\$ 15,000

Total Administration and Planning / Cap \$ 257,743 at 20% cap
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. Oceanside Senior Citizens Association	\$ 25,830
4. Vista Community Clinic Teen REACH	\$ 13,580
5. Vista Community Clinic Club 55	\$ 7,500
6. Community Resource Centers	\$ 100,122
7. North County Lifeline Youth Programs	\$ 13,580

Total Public Services and Cap \$ 197,412 at 15% cap
Public Services cap figured at 15% entitlement plus **prior** year's program income

c. 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

d. Section 108 Loan Payment \$ 275,131

e. Code Enforcement \$ 355,000

CDBG Program Expenditures \$ 1,185,286

f. Contingency \$ 103,428

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

g. Local housing program funds 2014-15

1. Alliance for Regional Solutions	\$ 30,000
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Total homeless programs \$ 30,000