



CITY COUNCIL AGENDA REPORT

MEETING DATE: February 7, 2005

Item Number:

SUBJECT: Review of Community Development Block Grant Homeless Public Service Grant Funding

DATE: January 25, 2005

FROM: City Manager's Office/ Housing and Community Development

PRESENTATION BY: Mike Linares
CDBG/HOME Coordinator

FOR FURTHER INFORMATION CONTACT: Mike Linares, 754-5678

RECOMMENDATION:

That the City Council direct staff whether to continue Community Development Block Grant-funded homeless services at 25% of available public service funds or reduce it to 10%.

BACKGROUND:

Since 1987, the City of Costa Mesa has been a recipient of federal Community Development Block Grant (CDBG) funds. These funds are provided to the City directly from the U.S. Department of Housing and Urban Development (HUD) on a formula basis. In order to receive these funds, the City is required to prepare a five-year strategic plan called the Consolidated Plan. The Consolidated Plan contains various elements including: housing, homeless and community needs assessments; a strategic plan that identifies priority housing and community needs, five-year goals and objectives; and, a citizen participation plan. The Consolidated Plan also contains an Annual Plan that is updated each fiscal year. This latter plan outlines a one-year action plan for meeting the five-year goals listed in the Consolidated Plan. A year-end performance report is also required. Activities that have typically been funded each year with CDBG funds include street and public facility improvements, code enforcement, housing rehabilitation, and public services.

HUD allows communities to spend up to 15% of an annual CDBG allocation for public services provided a majority of clients assisted by such services meet HUD's definition of a low- or moderate-income household (i.e., household income does not exceed 80% of the county median income; current maximum income limit for a family of four is \$59,400). Public services encompass a variety of programs that provide a direct service to Costa Mesa residents. Examples include youth services, homeless services, employment assistance, health care, senior citizen services, and services for disabled persons. As stated previously, the Consolidated Plan includes HUD-required needs assessments and an action plan that must be designed to meet the needs of lower income individuals. And while HUD recognizes homelessness is a regional issue, entitlement communities are required to address the homeless issue at the local level within their respective Consolidated Plans.

In February 1994, the City Council established a set of criteria to be used to rate and fund public service grant applications. These grant funding policies included:

- Maximum of 20 grants may be awarded per year.
- **51%** of public service funds available annually should be allocated for homeless prevention and/or homeless assistance programs.
- 49% of public service funds available annually should be allocated for programs that are available to low- and moderate-income persons.
- \$5,000 minimum grant.
- No more than 10 grants may exceed \$15,000 and no more than 10 grants may be less than \$14,999.

In January, 2004, the City Council reaffirmed the application rating criteria but amended the funding policy to the following:

- Maximum of 20 grants may be awarded per year.
- **25%** of public service funds available annually should be allocated for homeless prevention and/or homeless assistance programs.
- 75% of public service funds available annually should be allocated for other programs that are available to low- and moderate-income persons.
- \$5,000 minimum grant.

ANALYSIS:

In October 2004, the City kicked off the 2005-10 Consolidated Plan preparation process with the Redevelopment and Residential Rehabilitation (3R) Committee. During a discussion of future plan objectives, members of the committee endorsed the ongoing funding of CDBG public service grants but suggested that the amount of CDBG funds allocated for homeless services be reduced from 25% to 10%; however, because the public service grant interviews take place prior to City Council approval of the Consolidated Plan (and attendant 3R Recommendations) in approximately April, 2005 and because there is a current council policy in place, HCD staff disseminated public service grant agreement applications utilizing the current Council-approved homeless funding standard, i.e., 25% of total public service grant funds. Any changes the Council might make would be for Fiscal Year 2006-2007.

During a recent Consolidated Plan workshop there seemed to be a perception amongst part of the community that the 2005-06 public service grant funding cycle would reflect the 10% reduction for homeless services despite the fact that the current Council Policy of 25% was still in place. As previously stated, HCD staff was not planning for the new percentages to be reviewed and voted on by the City Council until April 2005 when the draft Consolidated Plan was presented to City Council, with the changes effective during Fiscal Year (FY) 2006-07. If the Council had a desire to implement the 3R Committee recommended reduction for FY 2005-06, a change in current Council policy would be necessary at this time.

On January 10, 2005, staff presented this issue to the Council during a study session. Staff was directed to place this item on a future Council meeting agenda for further discussion. During the study session staff presented the following table for the Council's consideration. The table below summarizes the amount of CDBG funds neighboring communities allocated in FY 2004-05 for public services - including homeless services.

	FOUNTAIN VALLEY	HUNTINGTON BEACH	IRVINE ¹	NEWPORT BEACH	SANTA ANA	COSTA MESA
2004 CDBG Allocation	\$432,000	\$1,684,000	\$1,521,000	\$437,000	\$8,363,000	\$1,655,000
Seniors	\$20,000	\$65,000	\$35,000	\$20,000	\$45,000	\$100,250
Disabled	\$0	\$0	\$27,000	\$0	\$60,000	\$25,000
Youth	\$9,300	\$78,204	\$50,000	\$0	\$571,825	\$43,000
Homeless	\$13,000	\$71,096	\$77,150	\$45,550	\$86,500 ²	\$65,000
General	\$22,500	\$44,000	\$39,000	\$0	\$486,125	\$15,000
Total Public Services	\$64,800	\$258,300	\$228,150	\$65,550	\$1,249,450	\$248,250
% for Public Services	15.0%	15.3%	15.0%	15.0%	14.9%	15.0%

1. Irvine also allocated \$95,639 in HOME funds to assist nonprofit with operating costs and to purchase transitional housing units.

2. Santa Ana receives and allocates \$312,000 in Emergency Shelter Grant funds in addition to CDBG-funded homelessness prevention/assistance programs.

The following table expresses the same information listed above in terms of the percent of CDBG public services funds allocated by categories.

	FOUNTAIN VALLEY	HUNTINGTON BEACH	IRVINE ¹	NEWPORT BEACH	SANTA ANA	COSTA MESA
Seniors	30.9%	25.2%	15.3%	30.5%	3.6%	40.4%
Disabled	0.0%	0.0%	11.8%	0.0%	4.8%	10.1%
Youth	14.4%	30.3%	21.9%	0.0%	45.8%	17.3%
Homeless	20.1%	27.5%	33.8%	69.5%	6.9% ²	26.2%
General	34.7%	17.0%	17.1%	0.0%	38.9%	6.0%

1. Irvine also allocated \$95,639 in HOME funds to assist nonprofit with operating costs and to purchase transitional housing units.

2. Santa Ana receives and allocates \$312,000 in Emergency Shelter Grant funds in addition to CDBG-funded homelessness prevention/assistance programs.

Based on this information, neighboring communities are allocating an average of 31.6% of CDBG public service funds for homelessness prevention and/or assistance programs.

The 3R Committee has recently completed the initial phase of reviewing FY 2005-06 public service grant applications. HCD staff requested that the application review sub-committee formulate two funding recommendations, one with the 25% homeless assistance threshold and one with 10%. Depending on the Council's direction, HCD will forward the appropriate funding recommendation to the full 3R Committee in March 2005 and subsequently to the Council in April 2005.

ALTERNATIVES CONSIDERED:

The following alternatives are presented to the Council for consideration:

1. The City Council can leave the current 25% homeless funding allocation in place.
2. The City Council can reduce the homeless funding allocation to 10%.
3. The City Council can change the homeless allocation to any percentage it desires.

FISCAL REVIEW:

There is no immediate fiscal impact associated with modifying CDBG Public Service Grant funding policies.

LEGAL REVIEW:

There is no legal review required for this item.

CONCLUSION:

It is requested that the City Council direct staff to leave CDBG public service grant funding for homeless programs at the current standard of 25% of public service grant funds available or reduce this amount to 10%.

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