



# *CITY COUNCIL AGENDA REPORT*

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MEETING DATE: May 2, 2006

ITEM NUMBER:

**SUBJECT: Public Hearing for Fiscal Year 2006-2007 Funding Priorities for Community Development Block Grant (CDBG) and HOME Investment Partnership Program (HOME)**

**DATE: APRIL 14, 2006**

**FROM: CITY MANAGER'S OFFICE/HOUSING AND COMMUNITY DEVELOPMENT**

**PRESENTATION BY: MURIEL ULLMAN, NEIGHBORHOOD IMPROVEMENT MANAGER  
ALMA PENALOSA, MANAGEMENT ANALYST  
MIKE LINARES, CDBG & HOME COORDINATOR**

**FOR FURTHER INFORMATION CONTACT: MURIEL ULLMAN, NEIGHBORHOOD IMPROVEMENT MANAGER (714) 754-5167**

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## **RECOMMENDATION**

That the City Council hold a Public Hearing to:

1. Approve recommended allocation for the Fiscal Year 2006-2007 Community Development Block Grant (CDBG) Application.
2. Approve recommended allocation for the Fiscal Year 2006-2007 HOME Investment Partnership Grant.
3. Approve resolution (Exhibit A) authorizing the City Manager to act as the official representative of the City in order to submit the Annual Action Plan (Exhibit B) and all certifications and assurances contained therein, and directing and authorizing the City Manager to act in connection with the submission of the Annual Action Plan, and to provide such additional information as may be required.

## **BACKGROUND**

Costa Mesa is a Housing and Urban Development (HUD) entitlement City, which is automatically eligible to receive Community Development Block Grant (CDBG) and HOME Partnership Program Grant (HOME) funds. These two (2) HUD programs annually provide over \$2 million to the City and offer an array of services that either assist low and moderate-income persons and/or arrest blight in deteriorated

neighborhoods. HOME funds must be used solely to increase housing opportunities for low-income residents living in Costa Mesa.

In April of 2005, the City Council approved the 2005-2009 Consolidated Plan. The Consolidated Plan is a five (5) year planning document required by HUD for all communities receiving entitlement community development funds. It was approved via a collaborative process with the local community whereby a unified vision for community development actions was established. The Consolidated Plan offers local jurisdictions the opportunity to integrate the various housing and community development programs into effective neighborhood strategies thereby creating a platform for strategic planning designed to reduce duplication of effort at the local level. The Plan must include the following elements: a projection of housing needs for the next five (5) years, a discussion of specific housing problems including cost burdened households, substandard housing and overcrowding; community development and infrastructure needs; and a homeless needs analysis. Finally, the Plan provides priority needs and objectives and a one-year Action Plan. **The priorities in the 2005-2009 Consolidated Plan were utilized to determine the programs and projects listed in the 2006-2007 Budget.**

## **ANALYSIS**

The Housing and Community Development Division is responsible for administration of the City's CDBG and HOME Grants. All CDBG funds must be utilized to achieve one of three (3) national objectives: elimination of slum and blight, benefit to low and moderate persons and/or meet an urgent need. CDBG and HOME programs must also reflect activities outlined in the Consolidated Plan.

### **A. CDBG FUNDS**

The City of Costa Mesa has been notified that the 2006-2007 CDBG Grant amount will be \$1,405,241 a decrease of approximately \$158,000 from the current fiscal year. The 2006-2007 CDBG Budget does not include any additional program income or prior years' funds. Therefore, **the total amount of available CDBG funds for 2006-2007 is \$1,405,241.** Of the grant amount, a maximum of fifteen percent (15%) may be utilized for Public Service Grants and a maximum of twenty percent (20%) may be allocated for administration. HCD is proposing allocation of these funds as follows:

<b>Total Funds Available:</b>	<b>\$1,405,241</b>
<u>Existing Programs</u>	
20% Administration (includes Fair Housing Contract at \$35,000)	\$ 281,048

15% Public Service Grants	\$ 210,786
Code Enforcement	\$ 243,030
Neighbors for Neighbors (2 events per year)	<u>\$ 105,422</u>
<b>Total Budgeted for Programs</b>	<b>\$ 570,043</b>

New Project Requests

Staff solicited project requests from Department Managers for potential new projects. The City Manager reviewed all requests and recommended remaining funds be appropriated as follows:

Street Improvements in CDBG Target Area  
at Cassia Ave from Wintergreen Pl. to Caraway Dr. \$ 140,000

Street Improvements in CDBG Target Area \$ 385,000  
at Valencia St. from Mendoza Dr.  
to La Salle Ave

**Total Budgeted for new Project Requests \$ 525,000**  
(Refer to page 81 of the Action Plan for a map of projects.)

Remaining Unappropriated Funds

Due to a lack of additional prior years' funds, the remaining balance was insufficient to fund any additional Projects. As a result, these funds will be left in unappropriated fund balance and carried over into FY2007-2008 for additional Projects.

**Total Unappropriated Funds \$ 29,150**

**B. HOME FUNDS**

For fiscal year 2006-2007, the City has been notified that the HOME grant will be \$705,600, a decrease of approximately \$45,000 from the current fiscal year. There is also approximately \$27,500 in prior year's HOME Administration funds being budgeted in 2006-2007. Therefore, **the total amount of available HOME funds for 2006-2007 is \$733,106**. Of the current grant amount, ten percent (10%) is to be allocated for administration and a minimum of fifteen percent (15%) is required to be allocated for a Community Housing Development Organization (CHDO). HCD is proposing allocation of these funds as follows:

**Total Funds Available: \$ 733,106**

Existing Programs

13% Administration	\$ 95,065
15% CHDO Reserve	\$ 105,840
Single Family Rehab Loan Program (includes funding for approx. 5 loans)	\$ 250,000
Neighborhood Improvement Grant Program (includes funding for approx. 24 grants)	<u>\$ 282,201</u>
<b>Total Budgeted for Programs</b>	<b>\$ 733,106</b>
<b>Available for New Projects/Programs</b>	<b>\$ - 0 -</b>

New Affordable Housing Projects

There are insufficient funds in the 06-07 Budget for a new affordable housing project. There is currently one affordable housing projects being negotiated per the 2004 Request for Proposal. It is anticipated that this project, St. John's Manor, will be presented to the City Council/Redevelopment Agency prior to the end of the current fiscal year. Should this project not be approved and/or the funds not be appropriated, the City Council will have to decide at that time how it wishes to appropriate the resulting funds.

**C. REDEVELOPMENT & RESIDENTIAL REHABILITATION (3R) COMMITTEE REVIEW**

At its March 28, 2006, meeting the 3R Committee reviewed the above proposed allocation of CDBG & HOME funds and passed a motion approving the CDBG and HOME budgets and the Annual Action Plan as presented. A few of the Committee members expressed concern over the costs of the Neighbors for Neighbors program. However, it was explained to them that the actual cost of the Program is considerably less but the City cannot anticipate the level of donations and therefore must fully budget the Program.

**2005-2006 ACTION PLAN**

The City is required to prepare a five-year Consolidated Plan that outlines Costa Mesa's priority housing and community needs. A component of the Consolidated Plan is an annual action plan, which will be updated annually over a five-year period (the 2005-2006 Fiscal Year is the first year of the new Consolidated Plan cycle). The Action Plan is the link between the goals and objectives listed in the Consolidated Plan with actual projects and activities to be carried out during a 12-month period or fiscal year. The

specific time frame covered by the 2005-2006 Action Plan begins July 1, 2005 and ends June 30, 2006. The Action Plan includes several HUD required components including:

- A list of federal, non-federal and private funds expected to be available to address priority needs and objectives.
- A description of the activities the City will undertake in 2005-2006 to meet priority needs.
- A description of the geographic distribution of federal assistance.
- An outline of the activities that will be undertaken to address the needs of the City's households at-risk of homelessness, those currently homeless, and persons that are not homeless but have special needs.
- An evaluation of how the additional strategies outlined in the Consolidated Plan will be addressed during 2005-2006.
- A discussion regarding certain program requirements for the CDBG and HOME programs.
- A description of the standards and procedures used to monitor activities carried out in furtherance of the Consolidated Plan and the Action Plan.
- Various certifications related to the implementation of the Consolidated/Annual Action Plan, and the CDBG and HOME programs.

### **FISCAL IMPACT**

For fiscal year 2006-2007, the City will receive a total of \$1,405,241 in Community Development Block Grant (CDBG) funds. No additional program income or prior years funds will be available.

For fiscal year 2006-2007, the City will receive \$705,600 in HOME Investment Partnership Program (HOME) funds. The City also has available an additional \$27,506 in prior years' HOME administration funds. Therefore, the total HOME funds available for appropriation for FY2006-2007 are \$733,106.

### **LEGAL IMPACT**

There is no adverse legal impact anticipated by the Council's taking the recommended action(s), based upon the documents and information provided to this office.

### **CONCLUSION**

The existing programs listed in the respective budgets represent City Council priorities as expressed in the HUD Consolidated Plan and Community Objectives. New projects represent requests submitted to staff and reviewed by the City Manager for adherence to the above-mentioned criteria.

As required by HUD, a notice was published on March 25, 2005, inviting the public to comment during the thirty-day (30) comment period, which began March 30, 2006 and will conclude on May 1, 2006.

It is recommended that the City Council:

1. Approve recommended allocation for the Fiscal Year 2006-2007 Community Development Block Grant (CDBG) Application, including entitlement funds and reallocation of prior year's funds.
2. Approve recommended allocation for the Fiscal Year 2006-2007 HOME Investment Partnership Grant.
3. Approve resolution authorizing the City Manager to act as the official representative of the City in order to submit the Annual Action Plan and all certifications and assurances contained therein, and directing and authorizing the City Manager to act in connection with the submission of the Annual Action Plan, and to provide such additional information as may be required.

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City Manager

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Muriel Ullman  
Neighborhood Improvement Manager

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Marc R. Puckett  
Director of Finance

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Kimberly Hall Barlow  
City Attorney

Attachments: [Exhibit A – Resolution](#)  
[Exhibit B – Annual Action Plan](#)  
[Attachment 5 to Exhibit B](#)