



# *CITY COUNCIL AGENDA REPORT*

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MEETING DATE: May 6, 2008

ITEM NUMBER:

**SUBJECT: Public Hearing for Fiscal Year 2008-2009 Funding Priorities for Community Development Block Grant (CDBG) and HOME Investment Partnership Program (HOME)**

**DATE: APRIL 18, 2008**

**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 2008-2009 Community Development Block Grant (CDBG) Application.
2. Approve recommended allocation for the Fiscal Year 2008-2009 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**



Existing Programs

20% Administration (includes Fair Housing Contract at \$33,000)	\$ 269,787
15% Public Service Grants	\$ 202,341
Code Enforcement (includes funding for 3 full-time staff)	\$ 314,476
“Neighbors for Neighbors” (includes funding for 2 events per year)	<u>\$ 108,005</u>
<b>Total Budgeted for Programs</b>	<b>\$ 894,609</b>

New Projects

Staff solicited project requests from Department Heads, Division Managers, and the City Council. The City Manager reviewed all proposals and recommended the following projects for funding:

- |  |            |
|--|------------|
| 1) Street Improvement Project at Shalimar Neighborhood and Parkway | \$ 723,512 |
| 2) Shalimar Park Improvements                                      | \$ 35,000  |

**Total Budgeted for New Project Requests**      **\$ 758,512**  
(Refer to page 31 of the Action Plan for a map of projects.)

**Total Unappropriated Funds**      **\$ - 0 -**

**B. HOME FUNDS**

The City of Costa Mesa has been notified by HUD that it’s FY2008-2009 HOME Program Grant will be \$685,268. This represents a decrease of approximately \$23,159 or almost 3.5% from the current fiscal year. Additional HOME funds being budgeted include \$155,000 in Program Income and \$600,000 in prior years’ funds for a total HOME budget of \$1.44 million. Of the grant amount, a required fifteen percent (15%) may be utilized for an eligible CHDO Project and a maximum of ten percent (10%) is to be allocated for administration. HCD is proposing allocation of these funds as follows:

**Total Funds Available:**      **\$1,440,452**

### Existing Programs

10% Administration	\$ 84,026
15% CHDO Reserve	\$ 102,791
Single Family Rehab Loan Program (includes funding for approx. 7 loans)	\$ 350,000
Neighborhood Improvement Grant Program (includes funding for approx. 40 grants plus staff)	<u>\$ 518,135</u>
<b>Total Budgeted for Programs</b>	<b>\$1,054,952</b>
<b>Available for New Projects/Programs</b>	<b>\$ 385,500</b>

For FY2008-2009, it is estimated there will be approximately \$385,500 available for new projects. The proposed eligible project is as follows:

- 1) Bethel Towers Rehabilitation Project: Staff is recommending that the full \$385,500 in available HOME funds be set aside during FY2008-2009 for this project which is currently in ongoing negotiations. Once project costs and the scope have been finalized, staff will return the project to the City Council for formal approval.

### **C. ALTERNATIVE HOUSING PROJECTS**

Currently, \$385,500 has been designated for Bethel Towers from FY 08-09 HOME funds. An additional \$255,065 from FY 08-09 Redevelopment Low/Mod funds has also been set-aside for a total of \$640,565. This project consists of installation of wet fire protection and other such improvements for this 18-story, 270 unit low income senior housing complex. Staff is currently awaiting a proposal on structural upgrades to the building and hopes to have a scope of work and budget by Fall, 2008.

The affordability covenants on Bethel Towers are scheduled to expire in 2017. In consideration for any financial assistance which this project receives, the City will be asking for long term affordability covenants. This project is listed in the recently adopted Housing Element as a City sponsored at-risk preservation project.

Over the past year, several organizations as well as City Council members have expressed interest in various types of housing projects including transitional housing, affordable housing for veterans, single room occupancy hotels for seniors, etc. Additionally, the Fairview Development Center has also issued a Request for Proposal for low income rental housing.

City Council/Redevelopment Agency could choose not to fund Bethel Towers this year and put a moratorium on the Redevelopment Agency's Home Buyer Assistance Program. This would make available approximately \$1.36 million for a new housing project. It is important to note that these funds still have limited leveraging power in the private market and would probably produce between 2 and 5 units. Additionally, Council/Agency needs to keep in mind that Bethel Towers will cost at least \$3,000,000-\$4,000,000, the bulk of which will be financed by a discretionary HUD Section 108 loan. However, this loan will most likely be paid back utilizing future CDBG funds over the next ten years.

Setting aside funds for Bethel Towers now may be prudent until such time as we have tied down firmer budget and financial alternatives. Additionally, the more funding the City has in place for this project, the lower the amount of the Section 108 loan. This, in turn, will leave more CDBG funds available for future capital improvement projects.

#### **D. REDEVELOPMENT & RESIDENTIAL REHABILITATION (3R) COMMITTEE**

At its March 25, 2008 meeting, the 3R Committee reviewed the above proposed allocation of CDBG & HOME funds and passed several motions approving the CDBG and HOME budgets and the Annual Action Plan as presented.

Concerns raised by the Committee included the following:

- The cost of the Neighbors for Neighbors Program and whether it would be more cost effective to hire professionals to paint the homes.
- The cost of Bethel Towers and how much of a contribution the owners were making to the rehabilitation.

Also raised was a request to look into the possibility of acquiring vacant deteriorated four-plexes on Placentia Avenue and converting the lots into parks or green areas.

#### **2008-2009 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 2008-2009 Fiscal Year is the fourth year of the current 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 2008-2009 Action Plan begins July 1, 2008 and ends June 30, 2009. 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 2008-2009 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 2008-2009.
- 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 2008-2009, the City will receive a total of \$1,348,944 in Community Development Block Grant (CDBG) funds. The 2008-2009 CDBG Budget also includes \$304,177 in additional program income and prior years' funds. Therefore, **the total amount of available CDBG funds for 2008-2009 is \$1,653,121.**

For fiscal year 2008-2009, the City will receive \$685,268 in HOME Investment Partnership Program (HOME) funds. Additional HOME funds being budgeted include \$755,000 in Program Income and prior years' funds. Therefore, **the total amount of available HOME funds for 2008-2009 is \$1,440,452.**

### **ALTERNATIVES CONSIDERED**

The City can choose not to fund the proposed projects and/or ask staff to research other eligible activities. However, this would delay submission of the Annual Action Plan to HUD and subsequently, receipt of grant funds for FY08-09.

### **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 and staff for adherence to the above-mentioned criteria.

As required by HUD, a notice was published on April 5, 2008 inviting the public to comment during the thirty-day (30) comment period and advising of the public hearing scheduled for May 6, 2008. The Comment period began on April 6, 2008 and will conclude on May 5, 2008.

It is recommended that the City Council:

1. Approve recommended allocation for the Fiscal Year 2008-2009 Community Development Block Grant (CDBG) Application, including entitlement funds and reallocation of prior year's funds.
2. Approve recommended allocation for the Fiscal Year 2008-2009 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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Allan L. Roeder  
City Manager

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Muriel Ullman  
Neighborhood Improvement Manager

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