



CITY COUNCIL AGENDA REPORT

MEETING DATE: June 2, 2009

ITEM NUMBER:

SUBJECT: APPROVAL OF SUBSTANTIAL AMENDMENT FOR COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG-R) PROGRAM

DATE: MAY 19, 2009

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

PRESENTATION BY: MURIEL ULLMAN, NEIGHBORHOOD IMPROVEMENT MGR.

FOR FURTHER INFORMATION CONTACT: MIKE LINARES 714/754-5698

RECOMMENDATIONS:

That the City Council:

1. Approve the attached Substantial Amendment to the 2008-2009 Annual Action Plan in order to apply for CDBG-R funds (Exhibit A).
2. Authorize the City Manager to act as the official representative of the City in order to submit the Substantial Amendment 2008-2009 Action Plan and to execute all certifications and forms related to the application and receipt of CDBG-R funds.

BACKGROUND:

Costa Mesa is a Community Development Block Grant (CDBG) and HOME Investment Partnerships Grant (HOME) entitlement community. As such, the City is eligible to receive an annual allocation of said funds from the U.S. Department of Housing and Urban Development (HUD). While subject to the federal budget process, these two HUD programs typically provide the City approximately \$2 million annually. CDBG funds may be used to support 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.

On February 17, 2009, President Obama signed into law the ***American Recovery and Reinvestment Act of 2009 ("Recovery Act")***. The Recovery Act appropriated \$1 billion in supplemental CDBG funds to states and local governments to carry out eligible activities that would also stimulate the economy. This supplemental allocation was called the Community Development Block Grant – Recover (CDBG-R) program. On

February 25, 2009, HUD published the amount of CDBG-R each grantee will receive. Costa Mesa is slated to receive an allocation of \$366,409. On May 6, 2009, HUD published the regulations outlining the eligible uses of CDBG-R and the process the City would need to follow to apply for/receive these funds. The regulations focused on the specific differences between regular CDBG funds and CDBG-R funding. Since CDBG-R funds are authorized under the Stimulus Act, it must be used to meet one or more of the Act's overarching goals: "stimulate the economy through measures that modernize the Nation's infrastructure, improve energy efficiency, and expand educational opportunities and access to health care." Due to the urgent nature of the country's economy, the Recovery Act also took steps to ensure that CDBG-R recipients give priority to projects that can award contracts based on bids within 120 days of the grant agreement.

As with other stimulus programs, CDBG-R is on a fast track with an abbreviated public comment period and short expenditure commitment timeframes. To receive CDBG-R, the City must submit a narrative detailing the City's Substantial Amendment to the 2008-2009 Annual Action Plan, Excel spreadsheet summarizing the activities proposed for CDBG-R funding, executed certification and an executed standard application for federal assistance (SF-424). All of these forms are included in the Substantial Amendment document (Exhibit A). HUD has waived the typical 30-day public review and comment period and the need to hold a public hearing. Instead, the City is required to post the Substantial Amendment on its web site for 7 days. To ensure residents have the opportunity to review the substantial amendment, the City published a notice in the *Daily Pilot* on May 26, 2009. This notice also informed the public that the City Council would be asked to authorize the submission of the Substantial Amendment, as presented.

ANALYSIS:

Exhibit B provides a summary of the CDBG-R program regulations; however, by way of review, HUD has directed recipients of CDBG-R to give priority to projects that can award contracts within 120 calendar days from the date funds are made available; for infrastructure projects, preference should be provided to activities that can be started and completed expeditiously, including a goal of using at least 50% of funds for activities that can be initiated no later than 120 days after Feb 17, 2009. Any activity funded with CDBG-R must fall in one or more of the following categories:

- Preserve, create jobs & promote economic recovery
- Assist those most impacted by recession
- Investment to increase economic efficiency
- Investing in transportation, environmental protection or other infrastructure will promote long-term economic benefit
- Minimizing/avoiding reduction in essential services
- Foster energy independence

The regulations also urged recipients to focus resources on activities that are "shovel ready" and that will have an impact on the economy. HUD also encouraged recipients to "use CDBG-R funds for discrete, stand-alone activities whenever possible." The City is allowed to utilize up to 15% of CDBG-R funds for public services and up to 10% for program administration. There is a requirement for capital projects that most materials to be used on a project must be made in America. The City will have three years to

spend the funds, and will need to report accomplishments every three months and also prepare/submit an annual report.

Based on the factors listed above, and in consultation with the City Manager's Office and Public Services, staff is recommending that all CDBG-R funds be allocated to the **Joann Street Bike Trail**. The Joann Street Bicycle Trail is bounded by the Costa Mesa Golf and Country Club to the north, properties along Joann Street to the south, Placentia Avenue to the west, and Harbor Boulevard to the east. It is important to note that the trail functions as both a bicycle and a pedestrian trail. The proposed work is designed to enhance the appearance and safety of the Joann Street Bicycle Trail. The trail is a 5,100 feet long, 8-foot wide, asphalt paved trail with 4-foot wide earthen planter areas on both sides of the trail.

More specifically, the project consists of the removal and replacement of approximately 2,300 lineal feet of dilapidated fencing of various materials with 6-foot high wrought iron fencing, the installation of an automatic irrigation system to water landscape improvements, lighting and landscaping. The plant material will consist of drought tolerant ground cover, shrubs and trees. The irrigation equipment will be state-of-the-art, low precipitation, and vandal resistant. Safety lighting will also use the most current technology to adequately illuminate the trail to ensure the safety of users, yet also reduce energy consumption. Other grant and local resources will be used to complete the project estimated to have a total budget of \$850,000. The Public Services Department is confident that this project can be completed within the requirements of the CDBG-R Program. It is important to note that no CDBG-R funds, or any other project funds, will be used to enhance any portion of the golf course. HUD specifically prohibits the use of CDBG-R funds for improvements to golf courses.

Consolidated Plan Substantial Amendment

On May 6, 2009, HUD published regulations for the use and application of CDBG-R funding. Since the quickest means to allocate these supplemental CDBG funds was to use existing grants, HUD is requiring that the City "substantially amend" its 2008- 2009 Annual Action Plan. The Action Plan is a component of the City's Consolidated Plan. The Consolidated Plan is a five-year planning document that identifies and prioritizes housing and community needs. Each year an action plan must be prepared that outlines how the City will use CDBG and HOME funds to address the priority needs listed in the Consolidated Plan. The City's most current Consolidated Plan was prepared in Fiscal Year 2005-2006 – Fiscal Year 2009-2010 is the last year of this Consolidated Plan's cycle.

On May 18, 2009, HUD posted a CDBG-R Submission Template and Checklist that the City can use to meet the requirements for applying for these funds. This template has been prepared and is incorporated into this report as Exhibit A.

Typically, if the City were to substantially amend its Consolidated Plan or Annual Action Plan, it would be required to hold a 30-day public review and comment period, and also hold a public hearing. Due to the need to stimulate the nation's economy, HUD was authorized to waive certain rules. As it relates to citizen participation, HUD reduced the review/comment period from 30 days to seven days. It also waived the requirement for the City to hold a public hearing; however, it is Staff's opinion that it is prudent to ensure residents are informed; however, in order to expedite the CDBG-R process, Congress has waived this regulation and reduced the comment/review period to seven days. The

City is required to post the amendment on the City's web site. HUD also waived the requirement that the City hold a public hearing as part of the submission process. It is Staff's opinion that while no public hearing is required, that the public should be made aware of the pending City Council action, therefore, a notice was published in the Daily Pilot announcing the seven-day comment period and that the City Council would be entertaining the recommendation to authorize submission of the Substantial Amendment to HUD. Per this notice, the public comment period began May 27, 2009 and will end on June 2, 2009. Comments received during this period will be summarized and incorporated into the Substantial Amendment for submission to HUD. The notice also indicated the City Council would take action on the amendment at its June 2, 2009 meeting.

ALTERNATIVES CONSIDERED:

The City also has the option to refuse all or a portion of the CDBG-R funds. Unused funds will be reallocated by HUD via a process yet to be determined.

FISCAL REVIEW:

No fiscal review is required for this matter.

LEGAL REVIEW:

No legal review is required for this matter at this time.

CONCLUSION:

It is recommended that the City Council:

1. Approve the attached Substantial Amendment to the 2008-2009 Annual Action Plan in order to apply for CDBG-R funds.
2. Authorize the City Manager to act as the official representative of the City in order to submit the Substantial Amendment 2008-2009 Action Plan and to execute all certifications and forms related to the application and receipt of CDBG-R funds.

Thomas R. Hatch
Assistant City Manager

Muriel Ullman
Neighborhood Improvement Manager

Mike Linares
CDBG/HOME Coordinator

Attachments:

[Exhibit A - Substantial Amendment to the Consolidated Plan 2008 Action Plan](#)
[Exhibit B - Summary of CDBG-R Regulations](#)