



CITY COUNCIL AGENDA REPORT

MEETING DATE: July 21, 2009

ITEM NUMBER:

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

DATE: June 29, 2009

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

PRESENTATION BY: MURIEL ULLMAN, NEIGHBORHOOD IMPROVEMENT MGR.

FOR FURTHER INFORMATION CONTACT: MIKE LINARES 714-754-5678

RECOMMENDATIONS

That the City Council:

1. Ratify the submittal to HUD of the attached Revised Substantial Amendment to the 2008-2009 Annual Action Plan (Exhibit A) in order to apply for 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 – Recovery (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 had to submit a narrative detailing the City's Substantial Amendment to the 2008-2009 Annual Action Plan. The Substantial Amendment was presented and approved by the City Council on June 2, 2009. HUD waived the typical public review and comment period, and public hearing requirement. Instead, the City was required to post the Substantial Amendment on its web site for 7 days.

HUD 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. 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
- Activities should be "shovel ready" and utilize American-made materials.

Based on the factors listed above, and in consultation with the City Manager's Office and Public Services, staff recommended that all CDBG-R funds be allocated to the **Joann Street Bike Trail**. The proposed work was designed to enhance the appearance and safety of the Joann Street Bicycle Trail. Utilizing CDBG-R funds for this project provided a needed match to other sources of funding committed to this project. The City's CDBG-R Substantial Amendment was submitted to HUD on June 5, 2009.

ANALYSIS

On June 11, 2009, HCD staff received an email from the Los Angeles HUD Office indicating that the "White House ARRA Implementation Office" had determined that recreational and entertainment facilities and services are generally inconsistent with the broader purpose of the Recovery Act; therefore, they "urged" the City to reconsider the project. 60% of CDBG-R projects submitted across the country was for park/recreation facilities, most of which were considered unsuitable for CDBG-R funding. HUD-LA staff also indicated that without local approval of the project, HUD Headquarters would most likely reject the project.

Upon receipt of this information, HCD Staff simultaneously contacted Public Services to identify alternate projects. At the same time, they contacted HUD-LA to arrange a conference call with program managers to discuss the denial of the bike trail project. It was hoped that if additional details about the project's benefit to the community were presented to the local HUD office, they would consider supporting the project. In anticipation that the project might be denied, HCD and Public Service Staff met during the week of June 15, 2009 to evaluate alternate projects that would be eligible for CDBG-R funding.

On June 17, 2009, HCD Staff was informed by HUD-LA that they would not be available for a conference call nor were they willing to consider funding the Joann Street Bike Trail. Additionally, they informed City Staff that a revised Substantial Amendment must be submitted within one week (no later than June 24th) or the City would miss the deadline for submittal of the CDBG-R funding to the HUD-L.A. office. Staff prepared the attached Substantial Amendment by the June 24th deadline. Unfortunately, the short turnaround time between denial of the Joann Street Bike Trail and the deadline for submission of a substitute project did not allow the staff to bring this matter to the City Council for approval prior to this meeting.

The projects recommended for CDBG-R funding include:

Knowell Place Roadway Rehabilitation (Estimated Project Cost - \$160,000): This project consists of the reconstruction of approximately 840 linear feet of asphalt roadway, plus the removal/reconstruction of damaged curb/gutter and sidewalks, and the installation of ADA-compliant ramps. Street reconstruction will be undertaken with non-traditional asphalt manufacturing process that will substantially reduce the amount of diesel fuel needed to heat the bitumen in order to create the asphalt cement (a.k.a. Warm-Mix Asphalt). To the greatest extent feasible, recycling of materials will be implemented for the concrete reconstruction portion of the project. The project is located in Census Tract: 0637.02, Block Group: 04; this area is 67.1% Low-and Moderate-income according to HUD estimates. In addition to providing an infusion of funds into the local economy, the project will also help preserve several jobs during various states of construction.

Ralcam Place Roadway Rehabilitation (Estimated Project Cost - \$200,000): This project consists of the reconstruction of approximately 550 linear feet of asphalt roadway, plus the removal/reconstruction of damaged curb/gutter and sidewalks, and the installation of ADA-compliant ramps. Similar energy savings/recycling efforts described above will be applied to this project. The project is located in Census Tract: 0637.02, Block Group: 01. This area is 55.5% Low- and Moderate-income according to HUD 2008 estimates. In addition to providing an infusion of funds into the local economy, the project will also help preserve several jobs during various states of construction.

As allowed, approximately 10 percent (\$36,409) of the City's CDBG-R funding will be reserved for program oversight and coordination.

Because both public facility improvement projects are located in the City's Low- and Moderate-Income area, 100% of the City's CDBG-R funds (excluding Admin.) will be used to benefit the City's Low- and Moderate-income residents.

Consolidated Plan Substantial Amendment

On May 6, 2009, HUD published regulations for the use and application of CDBG-R funding. HUD is requiring that the City “substantially amend” its 2008- 2009 Annual Action Plan to include CDBG-R funds. The Action Plan is a component of the City’s Consolidated Plan. 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.

The Substantial Amendment to the 2008-2009 Action Plan was submitted to HUD in early May. Because we are substituting the two street projects mentioned above for the Joann Street Bike Trail, the revised Substantial Amendment, including the two new street projects, was submitted to HUD by their June 24th deadline. Tonight’s City Council action will approve the submittal of the Revised Substantial Amendment.

Status of Joann Street Bike Trail

The total project cost for the Joann Street Bike Trail is \$1.7 million. Plans and specifications for the Joann Street Bike Trail are complete. Public Services Staff has submitted the project to Caltrans for approval of both State and Federal environmental reviews. The latter approvals are needed in order for the City to receive \$500,000 in Transportation Enhancement Grant funds. In addition to this grant, additional resources for the project include AQMD, Gas Tax and City Park Development funds.

HCD staff has also submitted a formal request to HUD to determine if the Joann Street Bike Trail is eligible for regular CDBG funds. If HUD deems this project eligible, then staff will return to the City Council and suggest that carryover CDBG Capital funds from Fiscal Year 2008-2009 be allocated to this project. Even if regular CDBG funds are not approved, the project remains a top priority and sufficient non-General fund sources will be compiled to ensure that the project is fully funded and completed.

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:

Ratify the submittal to HUD of the attached Revised Substantial Amendment to the 2008-2009 Annual Action Plan (Exhibit A) in order to apply for CDBG-R funds.

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Mike Linares
CDBG/HOME Coordinator

[Attachment A – Revised Substantial Amendment to the Consolidated Plan 2008 Action Plan](#)