



CITY COUNCIL AGENDA REPORT

MEETING DATE: May 4, 2010

ITEM NUMBER:

SUBJECT: Public Hearing for Fiscal Year 2010-2011 Funding Priorities for Community Development Block Grant (CDBG) and HOME Investment Partnership Program (HOME)

DATE: MAY 4, 2010

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

**PRESENTATION BY: ALMA PENALOSA, MANAGEMENT ANALYST
MURIEL ULLMAN, NEIGHBORHOOD IMPROVEMENT MANAGER**

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

RECOMMENDATION

That the City Council:

1. Approve recommended allocation for the Fiscal Year 2010-2011 Community Development Block Grant (CDBG) Application.
2. Approve recommended allocation for the Fiscal Year 2010-2011 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. Included as Attachment A is a detailed summary of the eligible uses of CDBG, HOME and the state Redevelopment Low/Mod Set-Aside funds.

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.

The priorities in the draft Consolidated Plan were utilized to determine the programs and projects listed in the 2010-2011 Budget. Due to the City Council and the 3R Committee not having yet reviewed the draft 2010-2015 Consolidated Plan, the programs and projects presented in this report are tentative. They are based on input provided by the Community Workshops, City Council and the 3R Committee.

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 (1) 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 by HUD that it's FY2010-2011 CDBG Grant will be \$1,473,245. This represents an increase of approximately \$112,000 or almost 8% from the current fiscal year. Additional CDBG funds being budgeted include \$128,580 in Program Income and \$479,460 in prior years' funds for a total CDBG budget of \$2.08 million. Of the grant amount, a maximum of fifteen percent (15%) may be utilized for Public Service Grants and a maximum of twenty percent (20%) is to be allocated for administration. HCD is proposing allocation of these funds as follows:

Total Funds Available: **\$ 2,081,285**

Existing Programs

| | |
|---|--------------------|
| 20% Administration (includes Fair Housing Contract at \$25,000) | \$ 294,649 |
| 15% Public Service Grants** | \$ 220,986 |
| Code Enforcement (includes salaries for 2 officers and 1 clerical staff) | \$ 340,724 |
| “Neighbors for Neighbors” (includes funding for 2 events per year) | <u>\$ 95,537</u> |
| Total Budgeted for Programs | \$ 951,896 |
| Available for New Projects and Programs | \$1,129,389 |

New Projects and Programs

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) Ford Avenue Alley Improvement Project | \$ 145,000 |
| 2) Bay Street Alley Improvement Project | \$ 145,000 |
| 3) Joann Bike Path Rehabilitation Project | \$ 520,000 |
| 4) Smallwood Park Improvement Project | \$ 82,889 |
| 5) Residential Parkway Reforestation | \$ 100,000 |
| 6) Senior Center Moveable Walls Projects | \$ 20,000 |
| 7) NCC Improvement Projects (upgrade AC unit and rehab main door for ADA access) | \$ 38,000 |
| 8) DRC Improvement Projects (rehab main door for ADA access) | \$ 10,000 |
| 9) Senior Center Improvements (install fence/exit in alcove, rehab multi-purpose room floor and other minor rehabilitation of facility) | \$ 28,500 |
| 10) Tool Rental Program | \$ 10,000 |

The Tool Rental Program will serve as a complement to the existing Housing Rehabilitation Program. It will allow for low income homeowners in the City to rent a maximum of \$500 in tools to complete exterior home improvement projects either by themselves or in conjunction with a local non-profit. Examples of items that could be rented include roto tillers, ladders, lawnmowers, landscaping equipment, trash dumpsters, etc. Program costs have been estimated at \$10,000 which would assist approximately 20 households. The Program can be utilized as a stand alone grant or in conjunction with the existing loan and grant program.

11) Energy Grant Program \$ 30,000

The Energy Grant Program will assist low-income households with energy improvements of up to \$3,000. Core improvements for the program would include improvements to the heating and ventilation systems, improvements to the building envelope which would minimize heat gain and loss, and installation of fluorescent lighting and energy star appliances which would significantly reduce electricity costs. Program costs have been estimated at \$30,000 which would assist approximately 10 households.

Budgeted for New Projects and Programs \$ 1,129,389

Total Unappropriated Funds \$ - 0 -

Alternatives to the Recommended Programs

If the City Council chooses not to fund the two new programs, it can chose to reallocate the \$40,000 in CDBG funds to the Smallwood Park project. This Project is only partially funded at this time. Underfunding of this project will result in a multi-year project or a mid-year review of program income for possible additional funding.

The City Council can also choose to not appropriate these funds at this time and carryover the funds for reprogramming into FY11-12.

B. HOME FUNDS

The City of Costa Mesa has been notified by HUD that it's FY2010-2011 HOME Program Grant will be \$754,304. This represents a decrease of approximately \$7,000 or 1% from the current fiscal year. Additional HOME funds being budgeted include \$17,584 in prior years HOME admin fund for a total HOME budget of \$771,888. 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: **\$ 771,888**

Existing Programs

| | |
|--|-------------------|
| Administration | \$ 93,014 |
| 15% CHDO Reserve | \$ 113,146 |
| Single Family Rehab Loan Program (includes funding for approx. 7-8 loans) | \$ 350,000 |
| Neighborhood Improvement Grant Program (includes funding for approx. 17 grants plus salaries) | <u>\$ 215,728</u> |

Note: Redevelopment Low-Mod funds will be added to above Single Family Rehab Programs for add'l loans and grants.

Total Budgeted for Programs **\$ 771,888**

Available for New Projects/Programs **\$ - 0 -**

C. HOUSING PROJECTS

Earlier this year, the City Council authorized staff to enter into negotiations with the developer of the Baker Street Apartment Project. This Project will consist of 58 one-bedroom age-restricted apartments available to people 62 years of age and older. The residential portion of the four-story building will be located over the top of approximately 5,700 square feet of retail space. Within the residential portion of the building is a community center, which will provide services and activities for all the residents.

The City Council designated \$634,120 in prior years' RDA and HOME funds to the Baker Street Apartment Project. These funds were originally appropriated to the Bethel Towers Rehabilitation Project which fell out of negotiations due to lack of owner participation. The Developer is also applying for tax credit funds from the State and is seeking funds from the County of Orange Mental Health Services Act (MHSA) for developmentally disabled adults. The Developer is requesting \$700,000 in HOME and RDA funds as well as \$675,000 in waived building fees for this project. Based on a

financial analysis of the project conducted by Keyser Marston Associates, a public subsidy is justified given the restrictive use of the units. However, at this point, the developer's tax credit "tie-breaker" score is low. Given this fact, staff has asked the developer to fund any future financial analyses which might make their proposal more competitive for tax credits. As of this writing, staff is awaiting a response from the developer. Should he decline to move forward on this project, staff will report their findings to the Redevelopment Agency/City Council and suggest other project alternatives.

D. REDEVELOPMENT & RESIDENTIAL REHABILITATION (3R) COMMITTEE

At its March 23, 2010 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. Comments and concerns raised by the Committee included the following:

- Concerns were raised by several committee members about the Tool Rental Program and the possibility of fraud with a \$500 grant. Committee members also expressed concern about the implementation costs of a new program that would only help 20 households. Suggestions included lowering the maximum amount of the grant to \$100 to cut down the possibility of fraud and/or limiting the program to participants working with a non-profit group for clean-ups. *Staff Comment: The Program could be feasible with a smaller grant amount but the efficiency of spending staff time on such a small grant would be questionable.*
- Concerns were raised about the energy grant and for what energy related projects the funds should be used. Suggestions included prioritizing applicants based on utility bills and proof of home insulation. *Staff Comment: At this time, the program is still in the early implementation stages. If it is approved by the City Council, it will be brought back to the 3R committee and the City Council for formal approval of the program guidelines.*
- Concerns were raised by one member of the committee regarding the number of street and alley improvement projects funded with CDBG funds. Suggestions included less CDBG funded street and alley projects and instead appropriating CDBG funds to housing stock improvements. *Staff Comment: Street and alley improvement projects are the direction provided per council priorities for available CDBG project funds. Council has the option to fund other priority projects provided they are eligible activities contained within the Consolidated Plan.*

2010-2011 ACTION PLAN

The 2010-2011 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 2010-2011 Action Plan begins July 1, 2010 and ends June 30, 2011. 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 descriptions of the activities the City will undertake in 2010-2011 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 2010-2011.
- 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.

The Action Plan includes all the program and activities outlined in this staff report.

FISCAL IMPACT

For fiscal year 2010-2011, the City will receive a total of \$1,473,245 in Community Development Block Grant (CDBG) funds. The 2010-2011 CDBG Budget also includes \$608,040 in additional program income and prior years' funds. Therefore, the total amount of available CDBG funds for 2010-2011 is \$ 2,081,285.

For fiscal year 2010-2011, the City will receive \$754,304 in HOME Investment Partnership Program (HOME) funds. Additional HOME funds being budgeted include \$17,584 in prior years' funds. Therefore, the total amount of available HOME funds for 2010-2011 is \$771,888.

ALTERNATIVES CONSIDERED

The City can choose not to fund the proposed programs and 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 FY10-11.

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 2, 2010 inviting the public to comment during the thirty-day (30) comment period. The comment period began on April 3, 2010 and will conclude on May 3, 2010.

It is recommended that the City Council:

1. Approve recommended allocation for the Fiscal Year 2010-2011 Community Development Block Grant (CDBG) Application, including reallocation of prior years' funds.
2. Approve recommended allocation for the Fiscal Year 2010-2011 HOME Investment Partnership Grant, including reallocation of prior years' funds.
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.

Allan L. Roeder
City Manager

Muriel Ullman
Neighborhood Improvement Manager

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