



# ***CITY COUNCIL AGENDA REPORT***

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**MEETING DATE:** June 19, 2012

**ITEM NUMBER:**

**SUBJECT:** Public Hearing for Fiscal Year 2012-2013 Funding Priorities for Community Development Block Grant (CDBG) and HOME Investment Partnership Program (HOME)

**DATE:** JUNE 1, 2012

**FROM:** DEVELOPMENT SERVICES DEPARTMENT/HOUSING AND COMMUNITY DEVELOPMENT

**PRESENTATION BY:** ALMA PENALOSA, MANAGEMENT ANALYST  
MIKE LINARES, CDBG COORDINATOR

**FOR FURTHER INFORMATION CONTACT:** MURIEL ULLMAN, NEIGHBORHOOD IMPROVEMENT MANAGER (714) 754-5167  
ALMA PENALOSA, MANAGEMENT ANALYST (714) 754-5692

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## **RECOMMENDATION**

1. Approve recommended allocation for the Fiscal Year 2012-2013 Community Development Block Grant (CDBG) Application.
2. Approve recommended allocation for the Fiscal Year 2012-2013 HOME Investment Partnership Grant.
3. Approve resolution (Exhibit A) authorizing the City's Chief Executive Officer (CEO) 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 CEO to act in connection with the submission of the Annual Action Plan, and to approve minor changes and provide additional information as may be required.
4. Approve the renaming and conversion of the Redevelopment and Residential Rehabilitation (3R) Committee to the Housing and Public Service Grant Committee, an Ad-Hoc Committee to meet only when deemed necessary by the Economic and Development Director or the City Council.

## **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 \$1.5 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.

The Housing and Community Development Division of the Development Service's Department is responsible for administration of the City's CDBG and HOME Grants. CDBG and HOME programs and projects must reflect the needs outlined in the City's Consolidated Plan.

In April of 2010, the City Council approved the 2010-2014 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 2010-2014 Consolidated Plan were utilized to determine the proposed programs and projects presented in the 2012-2013 Budget.**

### **ANALYSIS**

CDBG funds must be utilized to achieve one of three national objectives: Elimination of slum and blight, benefit to low and moderate persons and/or meet an urgent need. HOME funds must be used solely to increase housing opportunities for low-income residents living in Costa Mesa. HCD has traditionally also been responsible for administration of the former Redevelopment Agency's Low-Mod funds. These funds worked in conjunction with the CDBG and HOME grants to implement the City/Agency's housing programs, projects and to fund salary costs for HCD staff.

With Governor Brown's recent abolishment of Redevelopment, HCD had been faced with a significant budget shortfall. Typically there is approximately \$800,000 in RDA Low-Mod funds that is appropriated annually for use by HCD. These funds are used for project/program costs, development projects and salaries. The loss of these funds for FY12-13 created a salary shortfall of approximately \$200,000. To cope with this shortfall, a reorganization plan has been implemented to mitigate impact to the General Fund. The plan includes the transferring of some existing staff to other vacant positions in the City which resulted in elimination of two full-time positions, as well as the elimination of the part-time Neighborhood Improvement Manager position. Additionally, all housing programs have been reduced to reflect the reduction in funds and staffing. The result is the reduction of 2 ½ full time staff positions from the HCD budget.

The proposed staff and programmatic reductions are as follows:

#### Administration

The administration Management Analyst has been the HCD Division budget coordinator and assistant project manager in charge of various administrative and/or housing projects. The employee who previously filled this position has been promoted to the vacant Budget Analyst position in the Finance Department. The administrative and budgetary duties of this position will be dispersed to other HCD staff. **As a result, the vacated position in HCD has been eliminated for FY12-13.**

**The Neighborhood Improvement Manager position has also been eliminated.** The administrative and supervisory duties of this position will be dispersed to other Development Services staff. A City consultant is proposed to staff the Neighborhood Improvement Task Force (NITF) for FY12-13. This reallocation of manpower would have been necessary regardless of RDA reductions due to the nature of the NITF assignments which affect the City as a whole versus just the HUD target areas.

Additionally, there is an Office Specialist II position in HCD that has been vacant due to a retirement since 2008 that will remain vacant and unfunded.

#### Single Family Housing Rehabilitation (SFR) Program

Previously there was a 50% Management Analyst who assisted with the HOME rehabilitation program. This analyst was shared with the CEO's Office. However, the employee who filled this position has transferred to the vacant Management Analyst position in the CEO's Office and will no longer be assisting in HCD. **As a result, the vacated position in HCD will be eliminated for FY12-13.**

This staffing reduction coupled with the significant reduction in the FY12-13 HOME Program grant will result in reduced production of loans and grants for the SFR Program. The remaining rehabilitation Management Analyst will also be handling additional administrative duties which will reduce the amount of time available for loan and grant production. **As a result, FY12-13 goals for the Single Family Rehabilitation Program have been reduced to 2 loans and 15 grants from the previous year's 7 loans and 24 grants.**

#### Neighbors for Neighbors and the Large Item Disposal (LID) Programs

The Neighbors for Neighbors Coordinator traditionally splits her time between Neighbors for Neighbors, Housing Rehabilitation and special projects. She will now be assuming additional administrative tasks and will have less time to work on the Neighbors for Neighbors Program. **As a result, the Neighbors for Neighbors Program will be reduced to one event per year.**

**The Large item Disposal (LID) Program was not recommended for funding for FY12-13 by the Public Service Grant Subcommittee, and at this time is slated for elimination.**

Redevelopment and Residential Rehabilitation (3R) Committee

The 3R Committee has traditionally been an advisory committee to the Redevelopment Agency and the City Council. However, with the abolishment of the Redevelopment Agency and reduced funding for HCD, tasks for the Committee have greatly diminished. Additionally, with the significant reduction of staff in HCD it will be more difficult for staff to maintain the Committee with its subsequent reports, agendas, minutes, etc. The Committee also results in a significant amount of overtime costs as the Committee has a staff provided recording secretary and also requires the attendance of professional staff to a night meeting at the six meetings per year. **Due to the reduction in tasks for the Committee and reduction in HCD staff including clerical support, staff is requesting that the Committee be made ad-hoc and called to meet only when deemed necessary.** It is anticipated this would occur one to two times per year.

**A. CDBG FUNDS**

The City of Costa Mesa has been notified by HUD that its FY 2012-2013 CDBG Grant appropriation will be \$1,050,015 – a reduction of 17% from the prior year. An additional \$294,649 in CDBG funds is also being budgeted from prior years' funds. 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>\$ 1,344,664</b>
<u>Administration</u>	
20% Administration (includes staff salaries, fair housing contract, CDBG consultant contract and M&O for Division)	\$ 210,003
<u>Existing Programs</u>	
15% Public Service Grants	\$ 157,502
Code Enforcement (includes salaries for 2 FT officers, clerical and M&O for Program)	\$ 320,733
“Neighbors for Neighbors” Program (1 community events per year – includes staff salaries and M&O for Program)	\$ 82,926
Tool Rental Program (includes funding for 5 grants)	\$ <u>3,500</u>
<b>Total Budgeted for Existing Programs</b>	<b>\$ 564,661</b>
<b>Available for New Projects and Programs</b>	<b>\$ 570,000</b>

New Projects and Programs

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

- 1) Gisler Avenue Alley Improvements: \$570,000

<b>Budgeted for New Projects and Programs</b>	<b>\$ 570,000</b>
<b>Total Unappropriated Funds</b>	<b>\$ - 0 -</b>

**B. HOME FUNDS**

The City of Costa Mesa has been notified by HUD that it's FY2012-2013 HOME Program Grant appropriation is \$361,320 – a drastic 46% reduction. Additional HOME funds being budgeted include \$100,000 in prior years' administrative funds for a total HOME budget of \$461,320. Of the grant amount, a required fifteen percent (15%) must be utilized for an eligible CHDO Project and a maximum of ten percent (10%) may be allocated for administration. HCD is proposing allocation of these funds as follows:

<b>Total Funds Available:</b>	<b>\$ 461,320</b>
Administration (10% plus prior years Admin funds)	\$ 136,132
15% CHDO Reserve (HUD mandated)	\$ 54,198
<b>Available for Projects and Programs</b>	<b>\$ 270,990</b>
<u>Existing Programs</u>	
Single Family Rehab Loan Program (includes funding for 2 loans)	\$ 100,000
Neighborhood Improvement Grant Program (includes funding for 15 grants plus salaries)	<u>\$ 170,990</u>
<b>Total Budgeted for Existing Programs</b>	<b>\$ 270,990</b>
<b>Available for New Projects and Programs</b>	<b>\$ - 0 -</b>

## **C. HOUSING PROJECTS**

Earlier this month, the City Council authorized staff to enter into a Commitment and Reservation Agreement to commit any 2009 and 2010 HOME funds remaining at the end of Fiscal Year 2011-2012 to the Costa Mesa Housing Authority. These funds are to be committed for future appropriation to a supportive housing project and possible access center pursuant to Goal 6 of the Homeless Task Force recommendations. It is anticipated there will be up to \$660,000 available for commitment of 2009 and 2010 funds. Additionally, once the end of the year audit is complete there may also be unspent 2011 funds which could also be allocated for this project.

The Funding Commitment Agreement allows Staff to proceed with the solicitation and negotiation of a possible supportive housing project. Staff is planning to return to the City Council and the Costa Mesa Housing Authority with options and to get direction as to how to proceed with this project or an alternate affordable housing project.

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

At its March 27, 2012 meeting, the 3R Committee reviewed the estimated allocation of CDBG & HOME funds and passed several motions approving the CDBG and HOME budgets and the Annual Action Plan as presented. Questions and concerns raised by the Committee centered primarily around the cost of the Neighbors for Neighbors Program.

A motion was passed asking the City Council to look at reducing staff costs for the Program and to have the City Council send out a letter (RFP) to solicit a Neighbors for Neighbors Organizer for possible privatization, and also to prepare a mission statement for the Program as well as a system of metrics to measure performance for the Program.

### **2012-2013 ACTION PLAN**

The 2012-2013 Fiscal Year is the third 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 2012-2013 Action Plan begins July 1, 2012 and ends June 30, 2013. 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 2012-2013 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 2012-2013.
- 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 existing programs listed in the respective budgets represent City Council priorities as expressed in the 2010-2014 HUD Consolidated Plan and Community Objectives. New projects represent requests that have been submitted to staff and reviewed by the CEO for adherence to the above mentioned criteria. Existing and new projects recommended for funding are further described in the 2012-2013 Action Plan (Exhibit B).

### **FISCAL IMPACT**

For fiscal year 2012-2013, the City will receive a total of \$1,050,015 in Community Development Block Grant (CDBG) funds. Additional CDBG funds being budgeted include \$294,649 in prior years' funds. Therefore, the total amount of available CDBG funds for 2012-2013 is \$1,344,664.

For fiscal year 2012-2013, the City will receive \$361,320 in HOME Investment Partnership Program (HOME) funds. Additional HOME funds being budgeted include \$100,000 in prior years' administration funds. Therefore, the total amount of available HOME funds for 2012-2013 is \$461,320.

### **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 FY12-13. Additionally, HOME Program funds have a 2 year commitment deadline and any delay could put the funds in jeopardy of being returned to the federal government.

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

As required by HUD, a notice was published on May 4, 2012 inviting the public to comment during the thirty-day (30) comment period. The comment period began on May 6, 2012 and concluded on June 4, 2012.

It is recommended that the City Council:

1. Approve recommended allocation for the Fiscal Year 2012-2013 Community Development Block Grant (CDBG) Application.
2. Approve recommended allocation for the Fiscal Year 2012-2013 HOME Investment Partnership Grant, including reallocation of prior years' funds.
3. Approve resolution (Exhibit A) authorizing the Chief Executive Officer 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 Chief Executive Officer to act in connection with the submission of the Annual Action Plan, and to approve minor changes and provide additional information as may be required.
4. Approve the renaming and conversion of the Redevelopment and Residential Rehabilitation (3R) Committee to the Housing and Public Service Grant Committee, an Ad-Hoc Committee to meet only when deemed necessary by the Development Services Director or the City Council.

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Peter Naghavi, Deputy CEO  
Director of Economic and Development

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Muriel Ullman  
Neighborhood Improvement Manager

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Alma Penalosa  
Management Analyst

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