



CITY COUNCIL AGENDA REPORT

MEETING DATE: MAY 6, 2014

ITEM NUMBER:

SUBJECT: PUBLIC HEARING FOR FISCAL YEAR 2014-2015 FUNDING PRIORITIES FOR COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) AND HOME INVESTMENT PARTNERSHIP PROGRAM (HOME)

DATE: APRIL 21, 2014

FROM: DEVELOPMENT SERVICES DEPARTMENT/HOUSING AND COMMUNITY DEVELOPMENT

**PRESENTATION BY: WILLA BOUWENS-KILLEEN, PRINCIPAL PLANNER
SILVIA KENNERSON, MANAGEMENT ANALYST
MIKE LINARES, CDBG/HOME COORDINATOR**

**FOR FURTHER INFORMATION CONTACT: SILVIA KENNERSON, MANAGEMENT ANALYST
714. 754.5023 silvia.kennerson@costamesaca.gov
WILLA BOUWENS-KILLEEN, PRINCIPAL PLANNER
714. 754.5153 willa.bouwens-killeen@costamesaca.gov**

RECOMMENDATIONS

1. Approve recommended allocation of \$1,031,757 for the Fiscal Year 2014-2015 Community Development Block Grant (CDBG) Application.
2. Approve recommended allocation of \$353,421 for the Fiscal Year 2014-2015 HOME Investment Partnership Grant.
3. Approve resolution (Exhibit A) to authorize the following:
 - o 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;
 - o CEO to act in connection with the submission of the Annual Action Plan;
 - o CEO to approve minor changes and provide 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 HUD programs annually

provide approximately \$1.3 million to the City and can be used for 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 (HCD) of the Development Services 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 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 a five-year period; 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 2014-2015 Budget. HCD staff has also conferred with the Chief Executive Officer's office and has developed the 2014-2015 Annual Action Plan to take Council direction into consideration.

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 to preserve or increase housing opportunities for low-income residents living in Costa Mesa.

Outlined below are the programmatic recommendations by staff to address the Consolidated Plan's priorities and City Council input. Proposed budgets for the use of 2014-2015 CDBG and HOME funds are listed below:

Public Services

The City is allowed to allocate up to 15 percent of its annual CDBG allocation for public service grants. As authorized by the City Council, HCD staff solicited proposals from nonprofit agencies that serve Costa Mesa residents. Because HUD had not notified the City of its 2014-2015 CDBG grant allocation, HCD staff estimated that \$142,500 would be available for public service grant funding. In March 2014, the City's Ad-hoc Housing and Public Service Grants Committee (H&PSG Committee) interviewed grant applicants, rated and ranked applications, and developed public service grant recommendations for FY 2014-2015. The H&PSG Committee recommended funding eight grants for a total

of \$139,000. The Committee further recommended that remaining funds (\$3,500) be left uncommitted so the City Council could allocate these funds at their discretion. Finally, the Committee recommended that should the City's final grant allow for additional funding for public services, those funds should also be left to be allocated at the Council's discretion.

On March 18, 2014, the City was notified by HUD as to the amount of its 2014-2015 CDBG grant, which was slightly higher than had been anticipated. Based on the actual grant, a total of \$154,764 (or \$15,764 more than was recommended by the H&PSG Committee) is available for public service grants. On March 27, HCD was notified by the CEO's staff that this unallocated amount (\$15,764) should be allocated for the Costa Mesa Senior Center Social Services Program; an application that had been recommended for zero funding by the H&PSG Committee because the applicant had withdrawn the application. The H&PSG Committee's recommendations have been incorporated into the CEO recommendation. The Committee's recommendation will be presented to the City Council as part of a separate Agenda Report; however, the CEO's funding recommendations are included in the draft 2014-2015 Action Plan.

Housing Rehabilitation

In addition to its annual allocation of HOME funds by HUD, HCD also receives income when prior funded housing rehabilitation loans are repaid. Program income may be used for any HOME eligible activity. The City is also allowed to keep up to 10% of program income funds for HOME administration expenditures. Based on Finance Department records, the City received \$247,050 in program income during FY 2013-2014. HUD requires these funds be spent prior to the commitment/expenditure of regular HOME funds. While this income is of great value to the City, as the City spends program income, the commitment of regular HOME funds is delayed. A delay in committing funds can result in the recapture of HOME funds for failing to meet the 24 month commitment deadline.

At the time HCD prepared the FY 2013-2014 Action Plan/Budget, HOME program income was not recognized as revenue. On February 18, 2014 Council recognized and allocated HOME program income funds.

The Action Plan recommends continued funding for both HOME-funded Single Family Housing Rehabilitation Loan and Neighborhood Improvement Grant programs; however, due to an increase in HOME funds, annual goals have been increased from last year.

Administration

Both CDBG and HOME grants are awarded to the City on a formula basis. Grant amounts vary from year to year depending on the approval of an annual federal budget. For FY 2014-2015, the City will receive \$1,031,757 in CDBG funds and \$353,421 from HOME funds. The City is allowed to utilize up to 20 percent of CDBG funds and 10 percent of HOME funds for administration.

The overall expenditure plans for both CDBG and HOME funds are outlined below.

A. CDBG FUNDS

The City of Costa Mesa has been notified by HUD that it's FY 2014-2015 CDBG Grant appropriation of \$1,031,757 a reduction of, approximately 2.3% (\$24,337) from the prior year. An additional \$450,000 in prior year's funds is also available. Of the grant amount, a maximum of 15 percent may be utilized for Public Service Grants and a maximum of 20 percent may be allocated for administration. HCD is proposing allocation of these funds as follows:

Total Funds Available:	\$ 1,481,757
FY 14-15 Grant	\$ 1,031,757
Reprogrammed Funds Avail. Ending 06/30/14 (carry over funds)	\$ 450,000
<u>Administration</u>	
20% Administration (includes staff salaries, CDBG consultant contract and maintenance and operations for Division)	\$ 206,351
<u>Existing Programs</u>	
Public Service Grants (15% max)	\$ 154,764
Code Enforcement (includes salaries for 2 full time officers, 1 clerical, and maintenance and operations for Program)	\$ 321,080
Total Budgeted for Existing Programs	\$ 475,844
Available for New Projects and Programs	\$ 799,562
<u>New Projects and Programs</u>	
Staff solicited project requests from Department Heads, Division Managers, and the City Council. The CEO reviewed all proposals and recommended the following projects for funding:	
1) Beach St from Arnold Ave to Meyer Pl, Cove St from Arnold Ave to Meyer Pl; Seal St from Arnold Ave to Meyer Pl; Surf St from Arnold Ave to Meyer Pl; and Arnold Ave from Cove St to Beach St:	\$ 549,562
2) Capital Improvements at the Senior Center:	\$ 200,000
3) Smallwood Park Improvements:	\$ 50,000
Budgeted for New Projects and Programs	\$ 799,562
Total Unappropriated Funds	\$ -0-

B. HOME FUNDS

The City of Costa Mesa has been notified by HUD that it's FY2014-2015 HOME Program Grant appropriation of \$353,421 an increase of approximately 4.6% (\$15,586). Additional HOME funds being budgeted include \$295,295 in prior year's funds for a total HOME budget of \$648,716. Of the grant amount, a required 15 percent must be utilized for an eligible CHDO Project and a maximum of 10 percent may be allocated for administration. HCD is proposing allocation of these funds as follows:

Total Funds Available:	\$	648,716
FY 14-15 Grant	\$	353,421
Carry over (Non-CHDO and Non-Admin)	\$	295,295
Administration (Less 10%)	\$	35,342
Community Housing Development Organization (CHDO) (Less 15%) Reserve (HUD mandated)	\$	53,013
Available for Projects and Programs	\$	560,361
<u>Existing Programs</u>		
Single Family Rehab Loan and Grant Programs (maximum)	\$	498,859
Salaries (maximum)	\$	61,502
Total Budgeted for Existing Programs	\$	560,361
Available for New Projects and Programs	\$	- 0 -

C. HOUSING PROJECTS

In 2013, the City Council authorized staff to enter into a pre-development agreement with Mercy House/Wakeland Housing Development Corp, to commit \$585,257 in 2010 and 2011 HOME funds for the development of permanent supportive housing. In addition to these HOME funds, CHDO reservation funds from 2012, 2013, and now 2014 may be committed to the project at a later date.

The pre-development agreement allowed staff to negotiate with the development team and legally commit HOME funds as required by federal regulations. CEO staff will return to the City Council at a future for approval of the project as it comes to fruition.

2014-2015 ACTION PLAN

The 2014-2015 Fiscal Year is the fifth 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 2014-2015 Action Plan begins July 1, 2014 and ends June 30, 2015. 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 2014-2015 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 2014-2015.
- 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 at the 2010-2014 HUD Consolidated Plan and Community Objectives and subsequent City Council meetings. The 2014-2015 Action Plan is attached to this Agenda Report as Exhibit B.

NOTICING REQUIREMENTS

As required by HUD, a notice was published on April 5, 2014 inviting the public to comment during the thirty-day (30) comment period. The comment period began April 6, 2014 and concludes May 5, 2014.

FISCAL IMPACT

No financial impacts are anticipated because in both cases, budgets will be carefully monitored so expenditures do not exceed these amounts.

For fiscal year 2014-2015, HCD will receive \$1,031,757 in CDBG funds. An additional \$450,000 in prior year funds is also available; therefore, \$1,481,757 in CDBG funds is available in the 2014-2015 fiscal year.

For fiscal year 2014-2015, HCD will receive \$353,421 in HOME funds. An additional \$295,295 in prior year administration funding is also available; therefore, \$648,716 in HOME funds is available in the 2014-2015 fiscal year.

ALTERNATIVES CONSIDERED

City Council can choose not to fund the proposed programs and projects as recommended by staff and reallocate CDBG or HOME funds to other eligible activities. Council could also direct staff to not submit the Action Plan. However, if the City does not submit an Action Plan by mid May, HOME funds will most likely be returned to the U.S. Treasury and the City's CDBG funds will be distributed proportionally among all other Orange County jurisdictions that receive CDBG funds.

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 programs listed in the respective CDBG and HOME budgets represent City Council priorities as expressed in the HUD Consolidated Plan and Community Objectives and subsequent City Council directives.

GARY ARMSTRONG
Economic and Development Services
Director

WILLA BOUWENS-KILLEEN
Principal Planner

SILVIA KENNERSON
Management Analyst

MIKE LINARES
CDBG/HOME Coordinator

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