



CITY COUNCIL AGENDA REPORT

MEETING DATE: MAY 5, 2015

ITEM NUMBER: PH-1

SUBJECT: PUBLIC HEARING FOR 2015-2019 CONSOLIDATED PLAN AND FISCAL YEAR 2015-2016 FUNDING PRIORITIES FOR COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) AND HOME INVESTMENT PARTNERSHIP PROGRAM (HOME)

DATE: APRIL 23, 2015

FROM: DEVELOPMENT SERVICES DEPARTMENT/HOUSING AND COMMUNITY DEVELOPMENT

**PRESENTATION BY: WILLA BOUWENS-KILLEEN, AICP, PRINCIPAL PLANNER
MIKE LINARES, CDBG/HOME COORDINATOR**

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RECOMMENDATIONS

1. Hold Public Hearing regarding the 2015-2019 Consolidated Plan.
2. Approve recommended allocation of \$1,028,141 for the Fiscal Year 2015-2016 Community Development Block Grant (CDBG) Application.
3. Approve recommended allocation of \$327,658 for the Fiscal Year 2015-2016 HOME Investment Partnership Grant.
4. Approve resolution (Exhibit A) to authorize the following:
 - City's Chief Executive Officer (CEO) to act as the official representative of the City in order to submit the 2015-2019 Consolidated Plan and 2015-2016 Annual Action Plan (Exhibit B) and all certifications and assurances contained therein;
 - CEO to act in connection with the submission of the Annual Action Plan;
 - CEO to approve minor changes and provide additional information as may be required.

BACKGROUND

Costa Mesa is a recipient of certain Housing and Urban Development (HUD) funds; the Community Development Block Grant (CDBG) and HOME Investment Partnerships Grant

(HOME). These two HUD programs annually provide approximately \$1.3 million to the City and can be used for an array of services that assist low and moderate-income persons.

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. The Consolidated Plan is a five year planning document required by HUD for all communities receiving entitlement community development funds. The current Consolidated Plan was approved by the City Council in April of 2010, and covers Fiscal Year (FY) 2010-2011 through FY 2014-2015. Pursuant to CDBG and HOME program regulations, the City has prepared the draft 2015-2019 Consolidated Plan in order to comply with HUD's requirements and for the City to continue to receive these federal funds.

The 2015-2019 Consolidated Plan covers the time period of FY 2015-2016 through FY 2019-2020. The Consolidated Plan is comprised of four primary sections: 1) Needs Assessment, 2) Market Analysis, 3) Strategic Plan, and 4) Annual Action Plan. In addition to these components, the draft contains an executive summary, a description of the process the City undertook to obtain public input, and an appendix with related tables, maps, ancillary plans, HUD forms and certificates.

The Annual Action Plan is the one year expenditure plan for the use of HUD funds. For FY 2015-2016, the City will receive \$1,028,141 in CDBG funds and \$327,658 in HOME funds. These allocations represent a reduction of 0.35% for CDBG and 7.3% for HOME from current year funding levels. The priorities in the draft 2015-2019 Consolidated Plan were utilized to determine the proposed programs and projects presented for FY 2015-2016 funding consideration.

ANALYSIS

As a recipient of CDBG and HOME funds, the City of Costa Mesa is required to prepare a five-year strategic plan known as the Consolidated Plan. The Consolidated Plan must be prepared every three to five years. The current Consolidated Plan was approved by the City Council in 2010 and its five-year cycle will end on June 30, 2015.

Unlike past Consolidated Plan cycles, HUD now requires that the City prepare and submit the Consolidated Plan via its online information and fund distribution system (IDIS). The template provided by HUD requires responses to very specific questions. HUD also requires that the City utilize the data it provides via the template. This data is based on the Five-Year American Community Survey (ACS) for 2007-2011. Additionally, HUD utilizes data from its own Comprehensive Housing Assistance Strategy (CHAS). This data is also derived from the 2007-2011 ACS. Some of the default data provided is not relevant to the City (e.g., Public Housing Authority statistics). Whenever possible, program staff utilized updated sources of information in order to make the Consolidated Plan more relevant.

Needs Assessment

Based on the analysis of HUD's data, the following has been identified:

- Regardless of tenure, 37.2% of lower income Small Related households (i.e., household of two to four related members) are paying more than 30% of their income for housing.
- Regardless of tenure, approximately 35.8% of lower income Small Related households are paying more than 50% of their income for housing.
- HUD data indicates that over 3,000 housing units are "crowded," that is, a housing unit with 1.01 to 1.5 persons per room excluding bathrooms, porches, foyers, halls, or half-rooms.
- In general, no specific race or ethnic population in the City is disproportionately impacted by housing problems although Hispanic populations trend to be impacted by housing problems at a higher rate than other race/ethnic categories.
- Based on point-in-time studies of the homeless, it is estimated there are approximately 210 homeless individuals in the City; an estimated 122 of these individuals are unsheltered.
- While in general the City's public infrastructure and facilities are in good shape, there is a need to upgrade or replace aging public improvements.
- There are City residents in need of services that can help improve their quality of life. In many cases, these services will allow lower income households to save financial resources on necessities such as food and clothing, which in turn can be used to preserve their current housing.

Market Analysis

The Market Analysis explores the resources Costa Mesa has available to address needs. The Market analysis explores components of the City's housing market such the number and types of housing units, tenure, condition, and cost. Key findings include the following:

- As of January 1, 2014, the City had 42,160 housing units – over 48% of these units were constructed as multi-family housing.
- According to HUD's data, approximately 58.4% of housing units are occupied by renter households. This finding is consistent with the City's Housing Element, which states that Costa Mesa has a higher proportion of renter housing units than most communities in Orange County.
- Costa Mesa median home sales prices in March 2015 was \$625,000 for zip code 92626 and \$670,000 for zip code 92627.
- Median rent for a two-bedroom unit in February 2015 was estimated to be \$1,937.
- HUD data indicates that only 14% of rental units in the City rent for under \$1,000 per month – \$1,000/month is approximately 30% of a household's income that earns \$20/hour and works 40 hours per week.
- Overall the City's housing stock is in good condition; however, approximately 80% of the City's owner housing stock was constructed prior to 1978. If a home is not properly maintained, after 40 years units may require rehabilitation. Approximately 77% of the City's rental housing stock is also of the same vintage.
- There are an estimated 80 transitional housing shelter beds in the City; however, these resources are limited to families with children. The lack of short-term housing for single homeless adults in the City is reflective of a regional issue. The City has developed a plan to address these issues that includes HUD, City, private, and faith-based resources.

The City's Housing Element has identified several action steps the City can take to address the City's future housing needs, including identifying parcels that may be suitable for future housing development. The Consolidated Plan echoes several of the goals and programs outlined in the Housing Element including density bonus incentives to build affordable housing, homeowner housing rehabilitation, and the provision of services to address impediments to fair housing.

Strategic Plan

The Strategic Plan identifies priority housing and community needs, and lays out the City's five-year plan to address these needs. Priority needs are identified as either a high or low need. Activities that address a high priority need will be funded by the City during the five-year period provided adequate resources are available. Low priority needs will most likely not receive funding; however, if resources are available and the respective need increased in importance, funding could be allocated in future years. Table 1 provides a summary of housing and community needs identified in the Consolidated Plan:

Table 1: Draft 2015-2019 Consolidated Plan Priority Goals & Outcomes

Goal	Category	Priority Need	Need(s) Addressed	Goal Outcome Indicator
Owner Occupied Housing Rehabilitation	Affordable Housing	High	Owner Occupied Housing	Rehabilitate 50 Housing Units
Rental Housing Rehabilitation	Affordable Housing	Low	Rental Housing Acquisition / Rehabilitation	Rehabilitate 1 Housing Unit
Rental Housing Acquisition	Affordable Housing	Low	Rental Housing Acquisition / Rehabilitation	Acquire 1 Rental Housing Unit
Code Enforcement	Affordable Housing	High	Housing Code Enforcement	Enforce Codes of 1,250 Housing Units
Emergency Shelter	Homeless	High	Homeless Services & Housing	10 Persons Assisted
Transitional Housing	Homeless	High	Homeless Services & Housing	75 Persons Assisted
Rapid Re-housing	Homeless	High	Homeless Services & Housing	25 Households Assisted
Homelessness Prevention	Homeless	High	Homeless Services & Housing	10 Persons Assisted
Tenant-Based Rental Assistance	Homeless	Low	Homeless Services & Housing	1 Household Assisted
Senior/Frail Elderly Services	Special Needs	High	Services for Elderly/Frail Elderly	2,500 Persons Assisted
Services for Disabled	Special Needs	High	Services for Disabled	150 Persons Assisted

Goal	Category	Priority Need	Need(s) Addressed	Goal Outcome Indicator
Youth Services	Non-Housing Community Development	High	Youth Services	2,500 Persons Assisted
Low and Moderate Income Persons	Non-Housing Community Development	High	Services for Low & Moderate Income Persons	750 Persons Assisted
Public Facilities	Non-Housing Community Development	High	Public Facilities	Public Facility Benefit: 2,500 Persons
Public Infrastructure Improvements	Non-Housing Community Development	High	Public Infrastructure	Public Infrastructure Benefit: 7,500 Persons
Program Administration	Administration	High	Program Administration	Other: 5 Years

Annual Action Plan

The Annual Action Plan outlines how the City will allocate both CDBG and HOME funds for eligible activities that address the priority needs identified in the Strategic Plan. Both CDBG and HOME have specific program requirements, for example, CDBG funds must be utilized to achieve one of three national objectives: Elimination of slums and blight, benefit to low and moderate-persons, 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. Proposed budgets for FY 2015-2016 CDBG and HOME funds are also listed below:

CDBG FUNDS

HUD has notified the City it will receive \$1,028,141 in CDBG funds for FY 2015-2016. An additional \$187,000 in prior year CDBG funds are also available for programming in FY 2015-2016. Staff is recommending funding in four primary program areas; 1) Code enforcement, 2) Capital improvements, 3) Public services grants, and 4) Program administration.

Code Enforcement

CDBG funds may be used for code enforcement activities provided the program primarily benefits low and moderate-income persons, and that such code enforcement “together with public or private improvements, rehabilitation, or services to be provided,” may be expected to arrest the decline of the area. The crux of this regulation is that any CDBG-funded code enforcement activity must have a direct nexus to the rehabilitation or improvement of housing in an eligible area. For FY 2015-2016, a total of \$325,000 will be allocated to support the work efforts of two full-time code enforcement officers and one full-time clerical support staff. The enforcement activity of these two officers will be limited to Census Tract Block Groups identified by HUD (see Consolidated Plan Appendix Page 17 for map of eligible areas).

Capital Improvements

CDBG funds may be used to improve public facilities and/or infrastructure provided the primary beneficiaries are low and moderate-income Costa Mesa residents. For FY 2015-2016, staff is recommending over \$530,000 in CDBG funds for three capital projects; 1) ADA improvements at TeWinkle Park, 2) Costa Mesa Senior Center improvements, and 3) residential street improvements. Seniors and disabled adults are presumed by HUD to be CDBG eligible. Street improvements will be limited to CDBG-eligible neighborhoods.

Public Service Grants

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. Based on the City's FY 2015-2016 CDBG grant allocation, a maximum of \$154,221 is available for public service grant funding. In March 2015, 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 funding recommendations. **Exhibit C** provides a summary of the H&PSG Committee's rating, ranking and grant recommendations for the City Council's consideration. Exhibit C also includes a summary of grant applications and a three-year funding history of CDBG public service grants. Complete public service grant applications can be found on the City's webpage (<http://www.costamesaca.gov/index.aspx?page=1878>). Grant recommendations are also listed in the proposed CDBG budget below.

Administration

HUD allows the City to allocate up to 20 percent of its annual grant for planning and program administration. Based on the FY 2015-2016 grant, a maximum of \$205,628 is available for program administration. Eligible program administration expenditures include program staff salaries and benefits, contract services, legal services, and direct program operating costs.

Proposed FY 2015-2016 CDBG Budget

AVAILABLE FUNDS		
2015-2016 CDBG Allocation	\$1,028,141	
Prior Year Funds	\$187,000	
	TOTAL:	\$1,215,141
PROPOSED PROGRAMS/PROJECTS		
Code Enforcement		
▪ Salary & Benefits - 2 FT Officers & 1 FT Clerical	\$289,395	
▪ Allocated/Misc.	\$35,605	
	Subtotal:	\$325,000
Capital Improvement Projects		
▪ TeWinkle Park ADA Improvements	\$252,350	
▪ Senior Center Bathroom ADA Design	\$25,000	
▪ Senior Center Sunroom Construction	\$32,000	
▪ Senior Center Skylight Replacement	\$45,000	
▪ Residential Street Improvements	\$175,943	
	Subtotal:	\$530,293
Public Service Grants (15% Maximum)		
▪ City of Costa Mesa Senior Counseling Program	\$10,000	
▪ Colette's Children's Home	\$20,000	
▪ Community SeniorServ – Congregate Meals	\$12,500	
▪ Community SeniorServ – Home Delivered Meals	\$15,000	
▪ Council on Aging – Orange County	\$10,000	
▪ Elwyn California	\$5,720	
▪ Fair Housing Foundation (required)	\$21,000	
▪ Families Forward	\$10,000	
▪ Mercy House Transitional Living Center	\$20,000	
▪ Mika Community Development Corporation	\$10,000	
▪ Working Wardrobes	\$10,000	
▪ Youth Employment Services	\$10,000	
	Subtotal:	\$154,220
Administration (20% Maximum)		
▪ CDBG Program Administration	\$205,628	
	Subtotal:	\$205,628
	TOTAL:	\$1,215,141
Total Unappropriated Funds		\$0

B. HOME FUNDS

The City of Costa Mesa has been notified by HUD that its FY 2015-2016 HOME Program Grant allocation is \$327,658, a decrease of approximately 7.3 percent (\$25,763) from the current year grant. Additional HOME funds being budgeted include \$332,298 in prior year program funds for a total HOME budget of \$659,956. From the FY 2015-2016 grant, a required 15 percent must be utilized for an eligible Community Housing Development Organization (CHDO) project, and a maximum of 10 percent may be allocated for administration. Staff is proposing allocation FY 2015-2016 HOME funds for three core activities; 1) Single-family housing rehabilitation loans and grants, 2) CHDO reservation, and 3) Program administration.

Housing Rehabilitation

HOME funds may be used to improve and preserve the City's supply of owner-occupied housing for households with an income up to 80 percent of the County median. Staff is recommending continued funding of the City's Single Family Housing Rehabilitation Loan and Neighborhood Improvement Grant programs. A total of \$542,699 is allocated for these programs. In addition to the allocation of HOME funds by HUD, the City also receives income when prior funded housing rehabilitation loans are repaid. Program income may be used for any HOME eligible activity. The City is required to utilize program income before it uses new grant funds; therefore, program income received during the fiscal year will be utilized for housing rehabilitation programs. The City is also allowed to keep up to 10% of program income funds for HOME administration expenditures. In recent years the City has received significant amount of program income. This income was expended as required; however, the HOME program does require that funds be committed within 24 for months of the grant award date. HUD will recapture funds that are not uncommitted within required timelines. The proposed FY 2015-2016 HOME budget is provided below.

CHDO

HOME program regulations required that a minimum of 15% of an annual grant allocation be utilized by a Community Housing Development Organization (CHDO). CHDO's are typically nonprofit organizations specializing in the development of low-income affordable housing. No qualified project is identified at this time. Based on the City's FY 2015-2016 HOME grant, \$49,149 has been set-aside for a CHDO project.

Administration

HUD allows the City to allocate up to 10% of its annual grant for HOME program administration. Based on the FY 2015-2016 grant, a maximum of \$32,765 is available for HOME program administration. The City also has \$35,342 in prior year HOME Administration funds that will be available during the fiscal year. Eligible program administration expenditures include program staff salaries and benefits, contract services, legal services, and direct program operating costs.

Proposed FY 2015-2016 HOME Budget

AVAILABLE FUNDS		
2015-2016 HOME Allocation	\$327,658	
Prior Year Funds	\$332,298	
	TOTAL:	\$659,956
PROPOSED PROGRAMS/PROJECTS		
CHDO Reservation (15% Minimum) – Project to be determined	\$49,148	
	Subtotal:	\$49,149
Housing Rehabilitation		
▪ Housing Rehabilitation Loans & Grants (approx. 3 loans @ \$50,000 and 15 grants)	\$497,036	
▪ Program Staff Salary and Benefits	\$45,663	
	Subtotal:	\$542,699
Administration (10% Maximum)		
▪ FY 15-16 HOME Program Administration	\$32,766	
▪ Prior Year HOME Program Administration	\$35,342	
	Subtotal:	\$68,108
	TOTAL:	\$659,956
Total Unappropriated Funds		\$0

The 2015-2015 Fiscal Year will be the first year of the 2015-2019 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 2015-2016 Action Plan begins July 1, 2015 and ends June 30, 2016. 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 2015-2016 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 2015-2016.
- 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 forms and certifications related to the application and implementation of the Consolidated/Annual Action Plan, and the use of CDBG and HOME funds.

The 2015-2016 Action Plan is included as part of the 2015-2019 Consolidated Plan which is attached to this Agenda Report as Exhibit B.

NOTICING REQUIREMENTS

As required by HUD, a notice was published on April 4, 2015 inviting the public to review and comment on the draft document during a thirty-day (30) comment period. The comment period began April 6, 2015, and concludes May 5, 2015.

FISCAL IMPACT

No financial impacts are anticipated. HUD has notified the City it will receive \$1,028,141 in CDBG funds for FY 2015-2016. An additional \$187,000 in prior year funding is also available. HUD will reimburse the City up to these amounts for eligible CDBG program expenditures.

HUD has notified the City it will receive \$327,658 in HOME funds for FY 2015-2016. An additional \$332,298 in prior year funding is also available. HUD will reimburse the City up to these amounts for eligible HOME program expenditures.

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 Consolidated Plan/Action Plan; however, if the City does not submit the Plans by May 15, 2015, 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

No adverse legal impact is anticipated.

CONCLUSION

The draft 2015-2019 Consolidated Plan has been prepared according to HUD regulations. The Consolidated Plan includes an evaluation of housing and community needs, assessed the City's current housing market and resources, and lists a number of priority needs and related objectives/goals aimed at addressing needs. The 2015-2016 Annual Action Plan was also prepared according to HUD regulations, and outlines how the City will utilize FY 2015-2016 CDBG and HOME funds to meet the objectives and goals of the Consolidated Plan. It is recommended that the City Council hold a public hearing to obtain additional public input regarding the draft 2015-2019 Consolidated Plan, and approve a resolution authorizing the Chief Executive Officer to submit the Consolidated Plan to HUD on behalf of the City of Costa Mesa.

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Attachments: Exhibit A – [Resolution](#)

Exhibit B – [Draft 2015-2019 Consolidated Plan including 2015-2016
Annual Action Plan](#)

Exhibit C – [FY 2015-2016 CDBG Public Service Grant Recommendations](#)