



# *CITY COUNCIL AGENDA REPORT*

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MEETING DATE: MAY 3, 2016

ITEM NUMBER: PH-1

**SUBJECT: PUBLIC HEARING FOR FISCAL YEAR 2016-2017 FUNDING PRIORITIES FOR THE COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) AND HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME)**

**DATE: APRIL 21, 2016**

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

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

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## **RECOMMENDATIONS**

1. Hold Public Hearing regarding the 2016-2017 Annual Action Plan.
2. Approve recommended allocation of \$990,347 for the Fiscal Year 2016-2017 Community Development Block Grant (CDBG) Application.
3. Approve recommended allocation of \$338,895 for the Fiscal Year 2016-2017 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 2016-2017 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 community development funds. The current Consolidated Plan was approved by the City Council in May of 2015, and covers Fiscal Year (FY) 2015-2016 through FY 2019-2020. Pursuant to CDBG and HOME program regulations, the City has prepared the draft 2016-2017 Annual Action Plan in order to comply with HUD's requirements and for the City to continue to receive these federal funds.

The Annual Action Plan is the one year expenditure plan for the use of HUD funds. For FY 2016-2017, the City will receive \$990,347 CDBG funds and \$338,895 in HOME funds. These allocations represent a reduction of 3.7% for CDBG and 3.3% increase for HOME from current year funding levels. The priority housing and community development needs identified in the 2015-2019 Consolidated Plan were utilized to determine the proposed programs and projects presented for FY 2016-2017 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 May 2015 and its five-year cycle will end on June 30, 2020.

The Consolidated 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 current Consolidated Plan:

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

<b>Goal</b>	<b>Category</b>	<b>Priority Need</b>	<b>Need(s) Addressed</b>	<b>Goal Outcome Indicator</b>
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
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 Consolidated 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 \$990,347 in CDBG funds for FY 2016-2017. An additional \$230,000, in prior year CDBG funds are also available for programming in FY 2016-2017. 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 2016-2017, a total of \$300,000 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 Attachment 2 of Annual Action Plan).

#### **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 2016-2017, staff is recommending \$573,725 in CDBG funds for two capital projects; 1) ADA improvements at the Jack Hammett Sports Complex and 2) Bay Street – between Harbor and Newport Boulevard. ADA improvements will be limited to a specific park location; 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 2016-2017 CDBG grant allocation, a maximum of \$148,552 is available for public service grant funding. In March 2016, 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/cdbg>). 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 2016-2017 grant, a maximum of \$198,070 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 2016-2017 CDBG Budget

<b>AVAILABLE FUNDS</b>		
2016-2017 CDBG Allocation	\$990,347	
Prior Year Funds	\$230,000	
	<b>TOTAL:</b>	<b>\$1,220,347</b>
<b>PROPOSED PROGRAMS/PROJECTS</b>		
Code Enforcement		
▪ Salary & Benefits - 2 FT Officers & 1 FT Clerical	\$265,073	
▪ Allocated/Misc.	\$34,927	
	<b>Subtotal:</b>	<b>\$300,000</b>
Capital Improvement Projects		
▪ Jack Hammett Sports Complex ADA Improvements	\$275,000	
▪ Residential Street Improvements - W. Bay Street	\$298,725	
	<b>Subtotal:</b>	<b>\$573,725</b>
Public Service Grants (15% Maximum)		
▪ City of Costa Mesa Senior Counseling Program	\$15,000	
▪ Colette's Children's Home	\$17,552	
▪ Community SeniorServ – Congregate Meals	\$15,000	
▪ Community SeniorServ – Home Delivered Meals	\$15,000	
▪ Council on Aging – Orange County	\$15,000	
▪ Fair Housing Foundation (required)	\$21,000	
▪ Families Forward	\$15,000	
▪ Mercy House Transitional Living Center	\$20,000	
▪ Youth Employment Services	\$15,000	
	<b>Subtotal:</b>	<b>\$148,552</b>
Administration (20% Maximum)		
▪ CDBG Program Administration	\$198,070	
	<b>Subtotal:</b>	<b>\$198,070</b>
	<b>TOTAL:</b>	<b>\$1,220,347</b>
<b>Total Unappropriated Funds</b>		<b>\$0</b>

## **HOME FUNDS**

The City of Costa Mesa has been notified by HUD that its FY 2016-2017 HOME Program Grant allocation is \$338,895, an increase of approximately 3.4 percent (\$11,237) from the current year grant. Additional HOME funds being budgeted include \$560,608 in prior year program funds for a total HOME budget of \$899,503. From the FY 2016-2017 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 2016-2017 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 Grant program. A total of \$373,217 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 committed within required timelines.

### **CHDO**

HOME program regulations require 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; however, based on the City's FY 2016-2017 HOME grant, \$50,834 has been set-aside for a CHDO project. Additionally, the 2016-2017 Annual Action Plan is recognizing \$419,486 in prior year CHDO funding. Recognition of these funds will provide the City flexibility to fund a future CHDO project(s).

### **Administration**

HUD allows the City to allocate up to 10% of its annual grant for HOME program administration. Based on the FY 2016-2017 grant, a maximum of \$33,889 is available for HOME program administration. The City also has \$22,077 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 2016-2017 HOME Budget**

<b>AVAILABLE FUNDS</b>		
2016-2017 HOME Allocation	\$338,895	
Prior Year HOME Admin Funds	\$22,077	
Prior Year HOME Non-CHDO Funds	\$119,045	
Prior Year HOME CHDO Funds	\$419,486	
	<b>TOTAL:</b>	<b>\$899,503</b>
<b>PROPOSED PROGRAMS/PROJECTS</b>		
Housing Rehabilitation		
▪ Housing Rehabilitation Loans & Grants (approx. 1 loan @ \$50,000 and 15 grants)	\$327,018	
▪ Program Staff Salary and Benefits	\$46,199	
	<b>Subtotal:</b>	<b>\$373,217</b>
CHDO Reservation – 15% of Current Year Grant – Project to be determined	\$50,834	
Prior Year CHDO Reservation – Project to be determined	\$419,486	
	<b>Subtotal:</b>	<b>\$470,320</b>
Administration (10% Maximum)		
▪ FY 2016-2017 HOME Program Administration	\$33,889	
▪ Prior Year HOME Program Administration	\$22,077	
	<b>Subtotal:</b>	<b>\$55,966</b>
	<b>TOTAL:</b>	<b>\$899,503</b>
<b>Total Unappropriated Funds</b>		<b>\$0</b>

The 2016-2017 Fiscal Year will be the second 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 2016-2017 Action Plan begins July 1, 2016 and ends June 30, 2017. 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 2016-2017 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 2016-2017.
- A discussion regarding certain program requirements for the CDBG and HOME programs.
- 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 2016-2017 Action Plan is attached to this Agenda Report as Exhibit B.

### **NOTICING REQUIREMENTS**

As required by HUD, a notice was published on April 3, 2016 inviting the public to review and comment on the draft document during a thirty-day (30) comment period. The comment period began April 4, 2016, and concludes May 3, 2016.

### **FISCAL IMPACT**

No financial impacts are anticipated. HUD has notified the City it will receive \$990,347 in CDBG funds for FY 2016-2017. An additional \$230,000 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 \$338,895 in HOME funds for FY 2016-2017. An additional \$560,608 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 Action Plan; however, if the City does not submit the Plans by May 16, 2016, 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 2016-2017 Annual Action Plan was prepared according to HUD regulations, and outlines how the City will utilize FY 2016-2017 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 2016-2017 Annual Action Plan, and approve a resolution authorizing the Chief Executive Officer to submit the Action Plan to HUD on behalf of the City of Costa Mesa.

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Director

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CDBG/HOME Coordinator

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STEPHEN DUNIVENT  
Interim Finance Director

Attachments: [Exhibit A – Resolution](#)  
[Exhibit B – Draft 2016-2017 Annual Action Plan](#)  
[Exhibit C – FY 2016-2017 CDBG Public Service Grant Recommendations](#)