



# CITY COUNCIL AGENDA STATEMENT



January 15, 2019

File ID: 18-0564

## **TITLE**

PRESENTATION AND CONSIDERATION OF ACCEPTANCE OF THE 2017/2018 CONSOLIDATED ANNUAL PERFORMANCE AND EVALUATION REPORT (CAPER); AND SOLICITATION OF INPUT ON FUNDING PRIORITIES FOR THE COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG), HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME), AND EMERGENCY SOLUTIONS GRANT (ESG) 2019/2020 PROGRAM

## **RECOMMENDED ACTION**

Council conduct the public hearing and receive the report.

## **SUMMARY**

The City of Chula Vista is required to prepare a Consolidated Annual Performance and Evaluation Report (CAPER) for the City's U.S. Department of Housing and Urban Development (HUD) grant programs, which includes the Community Development Block Grant (CDBG), HOME Investment Partnerships (HOME) and Emergency Solutions Grant (ESG). This report provides a summary of activities undertaken this past fiscal year to meet the goals of the 2015-2019 Consolidated Plan for these HUD grant programs. In addition, a public hearing is being held to solicit input on funding priorities for the upcoming program year (2019/2020).

## **ENVIRONMENTAL REVIEW**

The Development Services Director has reviewed the proposed activities for compliance with the California Environmental Quality Act (CEQA) and National Environmental Policy Act (NEPA). The proposed activities are not considered "Projects" as defined under Section 15378(b)(5) of the State CEQA Guidelines because the proposals consist of a reporting action, is an administrative function, and is not site specific project(s) and will not result in a direct or indirect physical change in the environment. Therefore, pursuant to Section 15060 (c)(3) of the State CEQA Guidelines, these activities are not subject to CEQA. Under NEPA, the activity qualifies for a Certification of Exemption pursuant to Title 24, Part 58.34(a)(2)&(3) of the Code of Federal Regulations and pursuant to the U.S. Department of Housing & Urban Development Environmental Guidelines. Thus, no further environmental review is necessary.

## **BOARD/COMMISSION/COMMITTEE RECOMMENDATION**

Not applicable.

**DISCUSSION**

The City of Chula Vista receives, on an annual basis, Community Development Block Grant (CDBG), HOME Investment Partnerships (HOME) Program, and Emergency Solutions Grant (ESG) Program funds from the U.S. Department of Housing and Urban Development (HUD) to contribute towards a number of diverse programs and services aimed at enhancing the quality of life for Chula Vista’s low to moderate income residents. On an annual basis, the City prepares a Consolidated Annual Performance and Evaluation Report (CAPER) describing the use of HUD funds on housing and community development activities that primarily benefit low and moderate income persons and households. The CAPER also provides a progress report towards meeting the goals identified in the 2015-2019 Consolidated Plan.

**CONSOLIDATED ANNUAL PERFORMANCE EVALUATION REPORT (CAPER):**

HUD requires that the City report its performance with regard to CDBG, HOME, and ESG grants using the HUD Consolidated Annual Performance and Evaluation Report (CAPER). The CAPER was provided to HUD 45 days after the conclusion of the 2017/2018 fiscal year and includes specific financial and performance information for the CDBG, HOME, and ESG grants. The document was made available for public review from September 7 through September 22, 2018. The CAPER also includes a narrative portion describing how the City carried out its housing and community development strategies, projects, and activities during the fiscal year.

The 2017/18 CAPER represents the third year of the Five-year Consolidated Plan and demonstrated that the City adhered to all the required HUD regulations governing the grant funds. Specifically, the City expended the grant funds within the prescribed timeframe; funded projects meeting a HUD National Objective; and maintained the administration and public service expenditures within the mandated maximum spending limitations.

While the City met all administrative requirements, significant progress was also made towards the goals and objectives identified in the Con-Plan. The funds expended during the reporting year had a tremendous impact on the community, as demonstrated by the beneficiary numbers reported below. The goal numbers represent persons or households benefitting from either Public Services or Affordable Housing. These numbers are unduplicated, meaning that they are only counted once during the reporting year, regardless of the number of times served. Likewise, the Capital Improvement Projects and Facility Improvement numbers are the total persons residing in the area, benefitting from the improvements.

**Table 1: Financial and Beneficiary Data - 2017/2018 Annual Action Plan**

| <b>FUNDING SOURCES</b> | <b>AMOUNT EXPENDED</b> | <b>SERVICE TYPE</b>   | <b>NUMBER OF BENEFICIARIES</b> |
|------------------------|------------------------|---|--------------------------------|
| CDBG & ESG             | \$865,000              | <b>Public Services:</b> <i>(Low-Income persons including; Homeless, Youth, Disabled, Elderly)</i>                             | <b>4,429</b>                   |
| HOME & CDBG            | \$351,700              | <b>Affordable Housing:</b> <i>(Rental Assistance, First Time Homebuyer and Owner-Occupied Rehab)</i>                          | <b>17*</b>                     |
| CDBG                   | \$813,200              | <b>Capital Improvement Projects and Public Facilities:</b> <i>(Section 108 Loan Payment, Holiday Estates and Moss Street)</i> | <b>2,705</b>                   |
| <b>Total</b>           | <b>\$2,029,900</b>     | <b>Total Served</b>   | <b>7,151</b>                   |

\* An additional 15 households received First Time Homebuyer assistance through the CalHome grant program provided by the State of California.

The table below provides an overview of the Housing and Community Development goals identified in the Five-Year ConPlan and the progress made to date.

**Table 2: Financial and Beneficiary Data - 2015-2019 Five Year Consolidated Plan**

| FUNDING SOURCES | SERVICE TYPE               | 5-Year Goal | ANNUAL PROGRAM REPORTED |        |       |        | Total to Date |
|-----------------|----------------------------|-------------|-------------------------|--------|-------|--------|---------------|
|                 |                            |             | 15/16                   | 16/17  | 17/18 | 18/19* |               |
| CDBG and ESG    | Public Services            | 19,970      | 5,719                   | 4,675  | 4,429 | 2,367  | 17,190        |
| HOME and CDBG   | Affordable Housing         | 300         | 25                      | 32     | 17    | 72     | 146           |
| CDBG            | CIPs and Public Facilities | 15,000      | 0                       | 14,540 | 2,705 | 7,680  | 24,925        |
| Total           |                            | 35,270      | 5,744                   | 19,247 | 7,151 | 10,119 | 42,261        |

*\*Beneficiary numbers are proposed not actual, as the program year is not yet complete.*

While the City’s overall performance is on track to meet the established goals, Affordable Housing has fallen short. Housing costs have consistently risen faster than the area median income, limiting the opportunities to obtain affordable housing. These factors, along with the effects of the elimination of Redevelopment Low/Moderate funds have impacted the Housing Authority’s ability to fund and develop new affordable units. During the 2018/2019 the City had the opportunity to partner with Wakeland Housing and Development Corporation by providing financial assistance in the acquisition of two parcels on Anita to be used in the development of 42 affordable housing units. In the 2019/2020 program year the Housing Division will explore other funding and leveraging opportunities and continue to focus on a variety of projects and programs to address the growing housing concerns.

**PUBLIC HEARING SOLICITING INPUT FOR THE 2019/2020 ANNUAL PROCESS FOR HUD GRANT PROGRAMS:**

The City’s HUD approved 2015-2019 Consolidated Plan (ConPlan), effective July 1, 2015, identifies the Housing and Community Development needs and establishes funding priorities and goals.

This public hearing represents the first opportunity to solicit public input on the housing and community development needs of the community and funding priorities for the upcoming year (2019/2020) and the final year of the ConPlan.

**Resources:**

While the City has not yet received notification of its allocation for fiscal year 2019/2020, we are estimating five percent reduction (5%) in the CDBG grant due to potential budgetary cuts at the federal level. For the purpose of this report, the City anticipates receiving the following for the upcoming year.

| HUD Grant Program                        | 2018/2019 (Actual) | 2019/2020 (Anticipated) |
|--|--------------------|-------------------------|
| Community Development Block Grant (CDBG) | \$2,289,135        | \$2,174,678             |
| Home Investment Partnerships Act (HOME)  | \$ 947,625         | \$900,244               |
| Emergency Shelter Grant (ESG)            | \$ 179,761         | \$170,773               |
| <b>Total Grants</b>                      | <b>\$3,416,521</b> | <b>\$3,245,695</b>      |

Additionally, there is \$203,453 in prior year unencumbered CDBG grant funds that will need to be reprogrammed to other activities. These funds were generated from closed/completed projects and program income received through the repayments of CDBG-issued loans.

Funding applications for the three grant programs (CDBG, HOME, and ESG) will be available to all interested organizations and City departments on January 18, 2019, with a deadline of February 15, 2019. Staff will review all applications to determine eligibility and return to Council in March 2019 to present recommended allocations to eligible projects.

***CDBG Program:***

The CDBG program represents the City's largest grant entitlement to fund a variety of housing and community development activities to benefit the City's lower income residents. Funding is generally available for public service activities, capital projects, housing activities, and debt service payment of a Section 108 loan.

***Section 108 Loan:***

For fiscal year 2019/2020, the City's Section 108 debt service payment will be \$762,428. After deducting the required debt service payment from the anticipated CDBG annual entitlement, approximately \$1,433,000 will remain for public services programs, community development, housing projects, and grant administration.

***Administration:***

HUD regulates the amount of funding which can be utilized on planning/administration activities by placing an expenditure cap of 20% of the entitlement amount (approximately \$430,000). Administration funds are used to cover staff costs associated with the management and administration of the City's CDBG program. This includes preparation of the annual planning documents, regulatory compliance, contract oversight of approximately 15 partnering agencies, completion of environmental reviews and fiscal management.

***Public Services Category:***

As with administration activities, HUD also regulates the amount of funds for public service activities. Only 15% (approximately \$326,000) of its CDBG funds can be expended for these activities. Annually, the City receives a large number of funding requests for public services which typically exceed the amount available.

Consistent with the 2015-2019 ConPlan, additional rating criteria (the "tier" system) will be included in the review of the Public Services applications. Staff has seen a significant increase in the number of requests and amount of the requests received by both non-profit organizations and City Departments. CDBG funds are typically pursued to close funding gaps resulting from losses of funding at the Federal and State levels and in community giving. Several non-profit organizations and City Departments have experienced complete cuts in state funding and/or experienced decreased levels of donations.

Given the limited financial resources available, the tier system focuses our limited resources on basic and essential daily living needs and on vulnerable populations where the impact of limited resources can be significant. The funding methodology consists of a three-tier approach, classifying each of the activities in the following three categories for Public Services activities:

- Tier I:** Basic/Essential Needs (Homeless Services, Food, Emergency Housing)
- Tier II:** Special Needs Clientele who meet HUD’s Definition of Presumed Benefit (Services for Battered Spouses, Abused Children, Severely Disabled Adults)
- Tier III:** Other (Transportation Services, Case Management, Preventative Health Care Services, Recreational (non-disabled, non-emergency services))

Historically, there has been sufficient funding for Tier I and Tier II programs. Any remaining Public Services funds were distributed among Tier III programs.

***Capital Improvement and Housing Related Activities:***

Approximately \$854,566 is available for capital improvement and housing projects for 2019/2020. To be considered eligible for funding, a project must first meet a HUD National Objective (located in a low and moderate income census tract), not be regional in nature, and be located in a service area that is primarily residential. Funding recommendations for Capital and Housing Related Activities are then prioritized based on the following criteria:

- Eligible projects that address priorities listed in the ConPlan; and
- Effectiveness of activity by meeting the following:
- Leveraging of other funding sources;
- Number of clients to be served;
- Identification on the City of Chula Vista’s Critical Needs List (applicable to infrastructure projects, improvements to park and recreational facilities, and purchase of equipment or improvements to fire stations).

**DECISION-MAKER CONFLICT**

Staff has reviewed the decision contemplated by this action and has determined that it is not site-specific and consequently, the 500-foot rule found in California Code of Regulations Title 2, section 18702.2(a)(11), is not applicable to this decision for purposes of determining a disqualifying real property-related financial conflict of interest under the Political Reform Act (Cal. Gov’t Code § 87100, et seq.).

Staff is not independently aware, and has not been informed by any City Council member, of any other fact that may constitute a basis for a decision maker conflict of interest in this matter.

**LINK TO STRATEGIC GOALS**

The City’s Strategic Plan has five major goals: Operational Excellence, Economic Vitality, Healthy Community, Strong and Secure Neighborhoods and a Connected Community. The activities funded through

the federal grant programs are directed towards the revitalization of neighborhoods, economic development opportunities, and improved facilities and services. The nature of these activities is consistent with the Goals, Strategies and Initiatives in Goal 5: Connected Community.

**Strategy 5.1: Encourage Residents to Engage in Civic Activities**

**Initiative 5.1.2 Fosters an Environment of Community Involvement**

The City has developed a detailed Citizen Participation Plan (CPP) which requires the participation of the community. The CPP requires the City to provide citizens with reasonable and timely access to meetings, information, and records related to the grantee's proposed and actual use of funds. A minimum of two public hearings are held annually to obtain citizen participation at all stages of the Five-Year Consolidated Plan and Annual Action Plan. This includes the identification of priorities, review of proposed activities, and review of program performance.

**Strategy 5.2: Provide Opportunities that Enrich the Community's Quality of Life**

**Initiative 5.2.1 Provide Services and Programs Responsive to Residents Priorities**

The CAPER includes the list of accomplishments using CDBG, HOME and ESG funding that provides decent affordable housing opportunities and a suitable living environment with adequate public facilities, infrastructure and services to City residents.

**CURRENT-YEAR FISCAL IMPACT**

There is no current fiscal impact to the General Fund as the program is revenue offset by the grant funds.

**ONGOING FISCAL IMPACT**

There are no ongoing fiscal impacts as the program is revenue offset by the grant funds.

**ATTACHMENTS**

None.

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