



CITY COUNCIL AGENDA STATEMENT



April 16, 2019

File ID: 19-0175

TITLE

PUBLIC HEARING AND CONSIDERATION OF ACCEPTANCE OF A REPORT REGARDING 2019/2020 FUNDING REQUESTS AND RECOMMENDATIONS FOR THE HOUSING AND URBAN DEVELOPMENT (HUD) FEDERAL GRANT PROGRAMS (COMMUNITY DEVELOPMENT BLOCK GRANT, HOME INVESTMENT PARTNERSHIPS ACT, AND EMERGENCY SOLUTIONS GRANT)

RECOMMENDED ACTION

Council conduct the public hearing.

SUMMARY

The City has received and reviewed funding applications for the U.S. Department of Housing and Urban Development (HUD) grant programs including: Community Development Block Grant (CDBG), HOME Investment Partnerships Act (HOME) and the Emergency Solutions Grant (ESG) funds. This Public Hearing will provide the community an opportunity to provide input on the proposed 2019/2020 funding recommendations for the City's use of these federal grant programs.

ENVIRONMENTAL REVIEW

The Development Services Director has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and National Environmental Policy Act (NEPA). The activity is not a "Project" as defined under Section 15378(b)(5) of the State CEQA Guidelines because the proposal consists of a reporting action, is not for a site specific project(s) and will not result in a direct or indirect physical change in the environmental. Therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines the activity is not subject to CEQA. Under NEPA, the activity is exempt 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 at this time. Although environmental review is not necessary at this time, once a project(s) has been defined, environmental review will be required and a CEQA/NEPA determination completed prior to initiation of any related project activity.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable.

DISCUSSION

As an entitlement community with the U.S. Department of Housing and Urban Development (HUD), the City receives funds under three entitlement block grant programs:

- Community Development Block Grant (CDBG)
- Home Investment Partnerships (HOME)
- Emergency Solutions Grant (ESG)

The grant amounts allocated to each jurisdiction are determined using a formula based on statistical and demographic data. The purpose of these funds is to provide decent housing, a suitable living environment, and to expand economic opportunities principally for low and moderate-income persons. As a recipient of these HUD funds, the City is required to adopt a five-year planning document, entitled the Consolidated Plan (ConPlan) which describes the City's five-year strategy for use of these funds based upon the identified goals and objectives related to its housing and community development priorities.

The City annually selects activities for funding that best meet the needs of the community as specified within the ConPlan, while also meeting the national objectives and requirements of the grant funds. The selected activities are then incorporated into a one-year planning document, known as the Annual Action Plan. The Action Plan constitutes the City's formal funding application to HUD for the corresponding grant year. The 2019/2020 Action Plan represents the final year of the Con Plan period.

The City's 2015/2019 Five-Year Consolidated Plan identifies a total of five priorities under Housing and Community Development for funding consideration.

Table I: 2015/2019 Consolidated Plan Funding Priorities

CATEGORY	PRIORITY	ACTIVITY TYPE
Housing Priorities	Affordable Housing: Production	<ul style="list-style-type: none"> • New construction of affordable rental housing • Acquisition/rehabilitation for rental housing opportunities
	Affordable Housing: Programs	<ul style="list-style-type: none"> • First-time homebuyers • Tenant-based rental assistance
Community Development Priorities	Public Services	<ul style="list-style-type: none"> • Special needs/disabled • Youth • Elderly • Homeless • General low/moderate income
	Infrastructure	<ul style="list-style-type: none"> • ADA improvements • New streets and sidewalks • Section 108 loan payment
	Public Facility Improvements	<ul style="list-style-type: none"> • Park and recreational facilities • Neighborhood facilities • Fire stations

2019/2020 ANNUAL ACTION PLAN

Resources

As of the date of this report, HUD has not provided the City's allocation amounts for 2019/20 since Congress has not yet completed the appropriations process. HUD has instructed cities to continue their normal annual planning process and to submit the Action Plan once the 2019/20 allocations have been announced.

For the purposes of this report and in preparation of the Action Plan, staff will be assuming a five percent (5%) reduction from prior year funding for the CDBG, HOME and ESG grant programs. In the event that the City receives a higher allocation, staff has identified three projects within each of the grant programs for increased funding. These projects are identified in the respective program sections below.

In addition to its annual entitlement amount, the City will also allocate prior year unencumbered CDBG and HOME funds. These funds typically become available as projects are completed under budget, loans are repaid or other program income is generated.

Table II: 2019/2020 Anticipated Grant Funding

PROGRAM	ENTITLEMENT AMOUNT	PRIOR YEAR (UNENCUMBERED)	TOTAL AVAILABLE FOR 2019/2020
Community Development Block Grant	\$2,174,678	\$ 168,362	\$2,343,040
Home Investment Partnerships Act	\$ 900,244	\$1,514,100	\$2,414,344
Emergency Solutions Grant	\$ 170,773	\$ 0	\$ 170,773
Total	\$3,245,695	\$1,682,462	\$4,928,157

Funding Requests

As part of the annual Action Plan process, the City releases a Notice of Funding Availability (NOFA) for the three grant programs. The NOFA was released in February 2019, with a submittal deadline of March 1, 2019. Housing staff has reviewed all proposals to ensure compliance with the prescribed regulations and consistency with the City's goals and objectives.

An executive summary was prepared for each request which summarizes the requested funding level, proposed use of funds, and benefit to the community and are included with this report as Attachment No. 1 (2019/2020 Funding Application Executive Summaries).

The federal grant funding recommendations for CDBG, HOME and ESG are presented below:

Community Development Block Grant (CDBG):

For FY 2019/2020, the City will utilize an estimated total of \$2,343,040 of CDBG funds. This includes the annual entitlement along with any unencumbered prior year funds. All projects considered for funding must address at least one of the three CDBG National Objectives: 1) benefit primarily low/moderate income families; 2) aid in the prevention or elimination of slums or blight; or, 3) meet community needs due to a major emergency such as a natural disaster.

Projects are then classified into three distinct categories:

1. Administration and Planning;
2. Public Services; and,
3. Capital Improvement Projects and Community Development.

Below is a summary of the funding recommendations under each respective category.

1. Administration/Planning Recommendations:

Funds under this category cover all City staff costs associated with the management and administration of Chula Vista's CDBG program including regulatory compliance, contract administration, subrecipient monitoring and fiscal management. This also includes preparation of the required planning documents, such as the Annual Action Plan, the Consolidated Plan, and the Analysis of Impediments to Fair Housing Choice. Federal regulations governing the CDBG program limit the amount that the City spends on administration/planning activities to 20 percent of the entitlement amount for the program year.

Table III: 2019/2020 CDBG Administration Funding

Applicant	Program	Recommended
1 DSD – Housing Division	CDBG Administration/Planning	\$384,936
2 CSA of San Diego	Fair Housing and Tenant/Landlord Services	\$50,000
Total		\$434,936

2. Public Services Program Recommendation:

Funds for Public Services activities are awarded to local agencies and community organizations to implement projects and programs that improve the lives of low income residents which include elderly, disabled, at-risk, and homeless. The amount of funds the City may allocate to public services is limited to fifteen percent (15%) of the annual entitlement. Staff’s funding recommendations for public service activities are based on funding priorities established in the ConPlan, along with an established ranking criteria which categorizes the programs by community need (Tier I-III, with I being the highest).

Public Services Community Need Ranking

Tier I (highest)	Tier II	Tier III
Emergency Needs: Programs that address basic, fundamental needs including shelter, food, and other commodities.	Special Needs/Disabled: Programs that provide services to persons with disabilities, special needs, and are at high-risk.	Other General Services: All other services which do not fall within Tier I or II and provide general public services to low/moderate income persons.

A total of twelve public service applications were received. With the exception of applicant number 14 (Community Through Hope), all requests are previous grant recipients and are in good standing with the City and HUD. Community through Hope is a newly formed organization with little to no experience in receiving and administering federal funding. Staff recommends funding of Community through Hope for its first year with staff providing the necessary technical assistance for compliance and the successful delivery of the proposed program.

Summarized below are the list of applicants, program name, amount requested, and amount recommended by staff.

Table IV: 2019/2020 CDBG Public Services

Applicant	Program	Recommended
3 DSD – Housing Division	Short-Term Housing Voucher Program	\$ 50,000
4 Interfaith Shelter Network	Rotational Shelter Network	\$ 11,000
5 South Bay Community Services	Homeless Services	\$ 39,550
6 San Diego Food Bank	Food 4 Kids Backpack Program	\$ 15,000
7 Meals and Wheels	Senior Care Program	\$ 12,000
8 South Bay Community Services	South Bay Food Program	\$ 10,000
9 South Bay Community Services	Family Violence Treatment Program	\$ 39,000
10 Recreation Department	Therapeutic Program	\$ 20,100
11 CV Community Collaborative	FRC Emergency and Basic Services	\$ 39,312
12 Family Health Center of San Diego	KidCare Express Mobile Med Unit	\$ 27,000
13 Recreation Department	Norman Park Senior Services	\$ 30,000
14 Community Through Hope	Project H.O.P.E.	\$ 15,000
Total		\$307,962

3. Capital Improvement Projects (CIPs) and Community Development:

After the Public Services and Administration activities are funded, a total of \$1,600,142 remains for eligible capital improvement projects, public facility improvements, and other housing/community development related activities. The City has earmarked \$764,000 for the annual Castlepark

Infrastructure Section 108 debt service payment, with eight years remaining on the 20-year loan term. This leaves a balance of \$836,142 for new projects.

To be considered eligible for funding within the CIP category, the project must be located in a primarily residential area designated as low/moderate income by the U.S. Census and cannot be regional in nature (serving the entire City or county region). Priority is given to those projects with the most effectiveness and the greatest feasibility by demonstrating leveraging of additional funding sources, benefit and impact to the community, and relevance to the City of Chula Vista’s Critical Needs List and/or Pedestrian Master Plan.

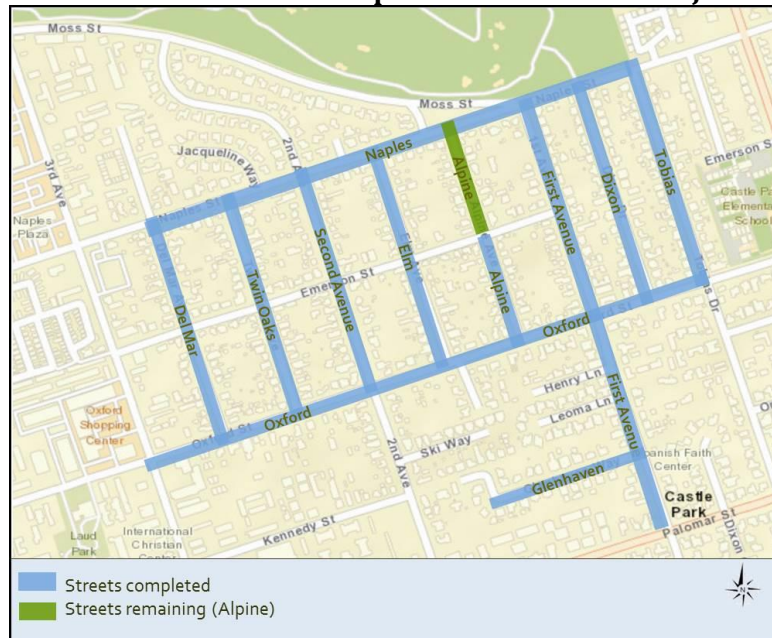
Table V: 2019/2020 CDBG Community Development Projects

Applicant	Program	Recommended	
15	DSD – Housing Division	Section 108 Loan Debt Service Payment	\$ 764,000
16	DSD – Housing Division	Green Homes For All Residential Rehabilitation Program	\$ 150,000
17	DSD – Housing Division	Community Housing Improvement Loan Program *	\$ 48,642
18	Engineering Department	Alpine (Naples to Emerson)	\$ 637,500
TOTAL		\$1,600,142	

**Should the City receive a greater CDBG entitlement amount than that anticipated, funding will be allocated to this project.*

A total of four applications are presented under this category: the City’s Section 108 Loan payment; two residential rehabilitation loan programs; and, one capital improvement project (CIP). This new CIP will complete the final installment of new sidewalks in the Castlepark area, as proposed in the original HUD Section 108 Loan Application. The map below illustrates the streets completed to date and as well as the proposed final street.

2008 Section 108 Castlepark Infrastructure Project



Emergency Solutions Grant (ESG)

Chula Vista estimates that it will receive approximately \$170,773 in ESG entitlement funds for FY 2019/20. ESG funds may be used to provide homeless services through:

- Homeless Prevention;
- Rapid Re-Housing (rental assistance);
- Street Outreach;
- Emergency Shelter; and
- Homeless Management Information Systems (HMIS).

The City received one proposal from South Bay Community Services to provide emergency shelter services at the Casa Nueva Vida shelter (Applicant No. 21). The remaining funds will be earmarked for Planning and Administration Costs (7.5% of the entitlement), Homeless Prevention and Rapid ReHousing Services, and the HUD mandated Homeless Management Information System. These programs will be administered by DSD Housing staff.

Table VI: 2019/2020 ESG Programs

Applicant	Program	Recommended	
19	DSD – Housing Division	ESG Planning and Administration	\$ 12,808
20	DSD – Housing Division	Homeless Prevention and Rapid ReHousing*	\$ 85,649
21	South Bay Community Services	Casa Nueva Vida Shelter	\$ 63,777
22	DSD – Housing Division	Homeless Management Information System	\$ 8,539
TOTAL		\$170,773	

**Should the City receive a greater CDBG entitlement amount than that anticipated, funding will be allocated to this project.*

Home Investment Partnerships Act (HOME)

HOME funds may be used to provide affordable rental housing and home ownership opportunities through:

- New construction
- Acquisition
- Rehabilitation
- First time homebuyer assistance
- Tenant-based rental assistance

For 2019/20, the City will utilize the HOME entitlement and prior year unencumbered funds to address the City's housing priorities of the 2015/2019 Consolidated Plan (approximately \$2.4Million). Per the HOME regulations fifteen percent (15%) of the annual allocation must be set aside to assist Community Housing Development Corporations (CHDOs) for the creation of affordable housing units. Should these funds not be utilized in a timely manner for this specific purpose, these funds would be recaptured by HUD and unavailable to the City.

Table VII: 2019/2020 HOME Projects

Applicant	Program	Recommended
23 DSD – Housing Division	HOME Planning and Administration	\$ 90,024
24 DSD – Housing Division	Tenant-based Rental Assistance Program	\$ 200,000
25 DSD – Housing Division	Request for Proposals – Affordable Housing Project*	\$ 2,124,320
TOTAL		\$2,414,344

**Should the City receive a greater CDBG entitlement amount than that anticipated, funding will be allocated to this project.*

Conclusion

While the ESG and the HOME programs were designed to meet very specific objectives, the CDBG program allows flexibility in the type of activities it funds. This allows the City to leverage its CDBG funds with ESG and HOME to maximize the impact of the grant funds to meet the housing needs of the lower income community. Since the end of redevelopment in California in 2012, the City has lost \$21 million that would have been generated from redevelopment for affordable housing related activities. As the cost of housing has increased year after year, far outpacing income growth, housing has become increasingly unaffordable to more members of the community.

Staff recommends that the City Council conduct the public hearing to solicit input from the community on the 2019/20 funding recommendations presented. The 2019/2020 Annual Action Plan was released for the required 30-day review and comment period on April 5, 2019 and will close May 5, 2019.

Staff will incorporate all public comments into the final Annual Action Plan, to be brought forward for Council consideration in May 2019.

DECISION-MAKER CONFLICT

Staff has reviewed the property holdings of the City Council members and has found no property holdings within 1,000 feet of the boundaries of the Alpine Street Improvement Project which is the subject of this action. Consequently, this item does not present a disqualifying real property-related financial conflict of interest under California Code of Regulations Title 2, section 18702.2(a)(7) or (8), for purposes of 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.

CURRENT-YEAR FISCAL IMPACT

At this time, Council is reviewing the funding requests for CDBG, HOME, and ESG funds. This action does not include appropriations. Appropriations for the proposed CDBG, HOME and ESG programs will be included as part of the City Manager's FY 2019/20 proposed budget.

There is no fiscal impact to the General Fund as a result of this action. In the remote event that HUD should withdraw the City's CDBG, ESG, and HOME funding; the Agreements/Memorandum of Understandings provide that the City is not obligated to compensate subrecipients or City Departments for program expenditures. Recommended funding allocations are summarized below.

Community Development Block Grant (CDBG)	
Public Services	\$307,962
CDBG Administration and Planning	\$434,936
Section 108 Loan Payment	\$764,000
Capital Improvement and Housing	\$836,142
Subtotal	\$2,343,040
Home Investment Partnerships Act (HOME)	
HOME Planning and Administration	\$90,024
Affordable Housing Projects/Programs	\$2,324,320
Subtotal	\$2,414,344
Emergency Solutions Grant (ESG)	
ESG Administration and Planning	\$12,808
Shelter Services	\$63,777
Homeless Prevention and Rapid ReHousing	\$94,188
Subtotal	\$170,773
TOTAL CDBG HOME and ESG	\$4,928,157

ONGOING FISCAL IMPACT

There is no ongoing fiscal impact to the City's General Fund as all costs associated with the administration of the CDBG, HOME and ESG programs are covered by the respective grants.

ATTACHMENTS

Attachment 1: 2019/2020 Funding Application Executive Summaries

Staff Contact: Angelica Davis, DSD Sr Management Analyst