



# City of Chula Vista

## Staff Report

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**File#:** 14-0077, **Item#:** 10.

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REVIEW OF THE CITY OF CHULA VISTA 2014/2015 FUNDING REQUESTS AND RECOMMENDATIONS FOR THE HOUSING AND URBAN DEVELOPMENT FEDERAL GRANT PROGRAMS (COMMUNITY DEVELOPMENT BLOCK GRANT, HOME INVESTMENT PARTNERSHIPS ACT AND EMERGENCY SOLUTIONS GRANT)

### **RECOMMENDED ACTION**

Council conduct the public hearing and accept the report.

### **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 2014/2015 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 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 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.

### **BOARD/COMMISSION RECOMMENDATION**

On February 26, 2014, the Housing Advisory Commission voted (4-0-1) to recommend the conditional approval of Community Development Block Grant funds for the proposed affordable housing project entitled Landis Studios (Notebook Tab 17). This approval is consistent with staff's funding recommendation of \$450,000.

### **DISCUSSION**

As an entitlement community with the U.S. Department of Housing and Urban Development (HUD), the City receives funds under three 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 funds aim 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 approve a Five-Year Consolidated Plan (Con Plan) which represents the City's five-year strategy for allocating HUD funds to specific goals, objectives, and housing and community development priorities. The City annually selects activities for funding that best meet the needs of the community as identified within the Consolidated Plan and also meet the national objectives and requirements of the CDBG program for that year. The selected activities are incorporated into the Annual Action Plan (Action Plan). The Action Plan is submitted to HUD 45 days prior to the beginning of the fiscal year and constitutes its application for the grant funds.

The City's 2010/2015 Five-Year Consolidated Plan identifies a total of six funding priorities under Housing and Community Development.

## I. HOUSING

### Priority 1: Affordable Rental Housing

Activities: Construction of new rental housing, acquisition and rehabilitation for rental, rental assistance programs.

### Priority 2: Maintenance and Preservation of Existing Housing Stock

Activities: Rehabilitation Loan Program (Health and Safety Related and/or Energy Upgrades).

### Priority 3: Homeownership Opportunities

Activities: Down-payment and Closing Cost Assistance.

## II. COMMUNITY DEVELOPMENT/CAPITAL IMPROVEMENT

### Priority 1: Infrastructure

Activities: ADA Curb Cuts, New Sidewalks, New Streets

### Priority 2: Community Development

Activities: Public Facility Improvements, Graffiti Removal

### Priority 3: Special Needs and Homeless

Activities: Public Services for Seniors, Youth, Disabled, Homeless, Low/Income individuals.

## 2014/2015 Annual Plan

On November 4, 2013 the City held a public hearing to kick off the Annual Action Plan for the

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**File#: 14-0077, Item#: 10.**

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upcoming 2014/2015 fiscal year (FY) and to discuss any change in funding priorities. At this hearing, staff advised Council that the final allocation amount had not yet been provided by HUD. However, the City's HUD CPD Representative has advised staff to complete their annual funding plan using last year's entitlement amounts and any prior year unencumbered funds which are as follows:

- Community Development Block Grant: \$2,150,908 (\$1,746,692 of entitlement and \$404,216 of prior year unencumbered funds)
- HOME Investment Partnerships Act: \$598,807
- Emergency Solutions Grant: \$119,795

Unencumbered funds are balances from completed or cancelled prior year projects as well as program income generated through the repayment of the Castlepark Assessment Districts. Program Income funds have been earmarked for the semi-annual debt service payments of the Section 108 Loan.

As part of the annual Action Plan process, the City solicits requests for grant funding, reviews the submitted proposals, and approves the programs and projects to be funded. For FY 2014/2015, a Notice of Funding Availability for the three grant programs (CDBG, HOME, and ESG) was made available in December 2013, with a submittal deadline of January 30, 2014. A copy of all applications received is included with this report as Attachment No. 1, 2014/2015 Federal Grant Funding Application Notebook.

Staff has completed its review of the applications and has made available its funding recommendations to applicants. The recommendations were publicly released on March 7, 2014. Below is a summary of the funding recommendations for each of the grant programs and corresponding activities.

### **Community Development Block Grant (CDBG)**

In order to be eligible for this block grant funding, a project must address at least one of the following CDBG national objectives:

- Benefit primarily low and moderate income families;
- Aid in the prevention or elimination of slums or blight; or,
- Meet other community needs having a major emergency (disasters, etc.)

The City will utilize a total \$2,150,905 of CDBG funds for FY 2014/2015. Funding is allocated into 3 distinct categories: Administration and Planning; Public Services; and, Capital Improvement/Housing Related Activities. In accordance with the federal regulations governing this program, the City cannot exceed the mandated spending caps for administration and planning (20%) and public service (15%) activities.

#### ***Administration and Planning Recommendation:***

The estimated \$349,338 in available funds is recommended to cover all 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 2014-2015 Annual Action Plan, the

**File#: 14-0077, Item#: 10.**

upcoming 2015-2020 Consolidated Plan, and the 2015-2020 Analysis of Impediments to Fair Housing Choice.

**Public Services Program Recommendation:**

Staff's funding recommendations for public service activities are based on funding priorities established in the Con Plan, along with established ranking criteria. As discussed at the November 2013 public hearing, since 2008, staff has implemented ranking criteria, as described below, to assist in prioritizing and selecting grant recipients. The methodology classifies each of the activities in the following three-tier categories, with Tier I activities being the highest ranked:

Tier I: Basic/Essential Needs (Food, Housing, Emergency Services)

Tier II: Special Needs (At-Risk Youth, Family Violence, Special Needs/Disabled)

Tier III: Other (Transportation Services, Case Management, Preventative Health Care Services, recreation (non disabled, non emergency services))

A total of thirteen (13) public services applications were received by the deadline. All applicants were deemed eligible per HUD regulations. Of the thirteen applicants, twelve are existing on-going programs. New to the applicant list this year is Lutheran Social Services for the Project Hand program. Staff recommends maintaining FY 2013/2014 funding levels for ongoing programs and provide approximately half of the funding for new requests.

**TABLE I:  
CDBG PUBLIC SERVICES FUNDING RECOMMENDATIONS**

<b>Organization</b>	<b>Program</b>	<b>2013/2014 Funding</b>	<b>2014/15 Request</b>	<b>2014/15 Recom.</b>
1 Meals on Wheels Greater San Diego, Inc	Meals on Wheels	\$12,000	\$12,000	\$12,000
2 Interfaith Shelter Network	Rotational Shelter Network	\$11,000	\$11,000	\$11,000
3 Lutheran Social Services	Project Hand	\$0	\$20,400	\$12,200
4 South Bay Community Services	South Bay Food Program	\$10,000	\$15,000	\$10,000
5 Jacobs & Cushman San Diego Food Bank	Food 4 Kids Backpack Program	\$0	\$20,000	\$15,000
6 South Bay Community Services	Family Violence Treatment Program	\$39,000	\$39,000	\$39,000
7 South Bay Community Services	Services for High Risk and Homeless Youth	\$34,550	\$39,550	\$39,550
8 Chula Vista Elementary Schools for the Chula Vista Community Collaborative	Family Resource Center Emergency and Basic Services	\$39,312	\$69,945	\$39,312
9 City of Chula Vista Recreation	Therapeutic Recreation Program	\$20,100	\$22,516	\$20,100

**File#: 14-0077, Item#: 10.**

10	Center for Employment Opportunities	Employment Reentry for At-Risk Young Adults	\$14,000	\$30,000	\$14,000
11	Family Health Centers of San Diego	KidCare Mobile Medical Unit	\$13,600	\$30,000	\$13,600
12	City of Chula Vista Recreation	Norman Park Center Senior and Disabled Services	\$32,000	\$35,000	\$32,000
13	City of Chula Vista Housing Division	Fair Housing Services	\$35,000	\$32,000	\$32,000
<b>TOTAL</b>			<b>\$255,762</b>		

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

A total of \$1,545,808 is available for eligible capital improvement and housing related activities for FY 2014/2015. The City has earmarked \$756,715 for the City's Section 108 debt service payments. The remaining funds are available for new projects.

Funding recommendations for Capital and Housing Related Activities are prioritized based on the following criteria:

- Projects that address the unmet needs of the Con Plan; and
- Effectiveness of activity in meeting needs
  - Leveraging of other funding sources; and
  - Number of clients to be served.

Based on a review of the City's HUD grants performance for this Con Plan, the City has met the goals of Capital Improvement projects (CIPs) and has an unmet housing need for the rehabilitation of existing housing stock.

Three funding requests were submitted for consideration and are summarized below:

- The Housing Division requests \$50,000 in funding for staff costs associated with projects and programs funded through the HOME program. Examples of services provided include the following: Energy auditing, preparation of work specifications, reviewing of applications, loan processing, inspections, tenant selection, and assisting owners, tenants, contractors, and other entities participating or seeking to participate in housing projects assisted with the HOME program.
- Urban Corps of San Diego proposes a "Green Streets" project that will provide interior and exterior home improvements, basic weatherization, minor rehabilitation, and minor home security improvements to 10 Low Moderate Income (LMI) households in Chula Vista and distribute "do-it-yourself" water and energy conservation kits to an additional 20 LMI households. The applicant requests \$76,138. An additional \$76,862 is recommended to cover City staff costs for inspection and environmental review and to cover a portion of additional health and safety related repairs that may be identified by City or Urban Corps staff. Total recommended funding is \$150,000.

**File#: 14-0077, Item#: 10.**

- South Bay Community Services requests funding for the rehabilitation and creation of 7 affordable housing units in the existing structure located at 192-196 Landis Avenue. The units will be used for permanent supportive housing for the homeless following the “Housing First” model advocated for successfully housing this special needs population. The project was approved for the South Bay region’s fair share of the HUD Continuum of Care funds. To leverage these funds, staff is recommending funding for this project, contingent upon securing additional funding sources, completion of architectural plans, necessary building permits, and finalizing the proforma. Total recommended funding is not to exceed the requested amount of \$450,000.

The remaining funds of \$139,093 are being set aside under the Production of Affordable Housing toward meeting the goals of the 5 year Consolidated Plan. The City will be releasing a Notice of Funding Availability to use these remaining funds and leveraging it with available HOME and Redevelopment Low and Moderate Income Housing funds for the acquisition and rehabilitation of existing housing stock. With the loss of Redevelopment Low and Moderate Income housing funds, HOME and CDBG funds are now the City’s main funding source for affordable housing.

Table II below itemizes the proposed expenditure of this funding category.

**TABLE II:  
CDBG CIP AND HOUSING RELTED FUNDING RECOMMENDATIONS**

<b>Organization</b>	<b>Program</b>	<b>2014/15 Request</b>	<b>2014/15 Recom.</b>
14 City of Chula Vista	Section 108 Loan Payment	\$756,715	\$756,715
15 City of Chula Vista Housing	Housing Services	\$50,000	\$50,000
16 Urban Corps of San Diego	Green Streets	\$76,138	\$150,000
17 South Bay Community Services	Landis Studios	\$450,000	\$450,000
18 City of Chula Vista Housing	Production of Affordable Housing	\$289,093	\$139,093
<b>TOTAL</b>			<b>\$1,545,808</b>

### **Emergency Solutions Grant (ESG)**

Chula Vista is anticipating ESG entitlement funds in the amount of \$119,795 for FY 2014/2015. ESG funds may be used to provide homeless services through:

- Street Outreach
- Emergency Shelter
- Homeless Prevention
- Rapid Re-Housing
- Homeless Management Information Systems

HUD regulations require the City earmark a portion of the funding for Homeless Prevention and Rapid Re-Housing activities. The remainder of the funds will be used to fund the proposal received from South Bay Community Services, a local homeless service provider.

**TABLE IV:  
ESG FUNDING RECOMMENDATIONS**

Organization	Program	2014/15 Recom.
20 City of Chula Vista	Administration and Planning	\$8,985
21 City of Chula Vista Housing	Homeless Prevention and Rapid-ReHousing	\$42,533
22 South Bay Community Services	Casa Nueva Vida and HMIS	\$68,277
<b>TOTAL</b>		<b>\$119,795</b>

**Home Investment Partnerships Act (HOME)**

For FY 2014/2015, the City will receive \$598,807 in HOME funds which may be used to provide affordable rental housing and home ownership opportunities through: New construction; Acquisition; Rehabilitation; First time homebuyer assistance; and, Tenant-based rental assistance.

HOME regulations require cities to set aside 15% of their annual allocation to assist Community Housing Development Organizations (CHDOs) in the creation of affordable housing units. The City has met and exceeded this requirement in an aggregate amount of 27%. Due to the City's good standing, HUD has advised staff that the City is not required to set-aside any of its 2014/2015 HOME entitlement for a CHDO.

For FY 2014/2015, staff is recommending that HOME funds be earmarked for the production of affordable housing. With the loss of Redevelopment Low and Moderate Income housing funds, HOME and CDBG funds are now the City's main funding source for affordable housing. Increasing housing that is restricted and affordable for lower income households remains a priority for the City.

**TABLE III:  
HOME FUNDING RECOMMENDATIONS**

Organization	Program	2014/15 Recom.
23 City of Chula Vista	Administration and Planning	\$56,126
24 City of Chula Vista Housing	Production of Affordable Housing Projects/Programs	\$542,681
<b>TOTAL</b>		<b>\$598,807</b>

**CONCLUSION**

Staff recommends that the City Council conduct the public hearing to solicit input from the community on the FY 2014/2015 funding recommendations and provide staff with changes, if any, in the recommended funding amounts. Staff will incorporate these recommendations in the Annual Action Plan. The Plan will be available for a 30-day review and comment period from March 14, 2014 to April 14, 2014. Materials will also be posted on the City's website. Staff will incorporate all public comments received by the deadline and submit the Annual Action Plan to HUD by May 14, 2014.

**DECISION-MAKER CONFLICT**

While this item is generally not site specific and does not trigger the 500-foot rule found in California

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**File#: 14-0077, Item#: 10.**

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Code of Regulations section 18704.2(a)(1), this item does discuss property located at 192-796 Landis Avenue. As such, Staff has reviewed the property holdings of the City Council and has found no property holdings within 500 feet of the boundaries of 192-796 Landis Avenue considered in this action. 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: 1. Operational Excellence; 2. Economic Vitality; 3. Healthy Community; 4. Strong and Secure Neighborhoods; and 5. 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

Consistent with the funding priorities established in the 2010-2015 Consolidated Plan, the CDBG, HOME and ESG activities selected are aimed at providing decent affordable housing opportunities and a suitable living environment with adequate public facilities, infrastructure and services. Services that support the elderly, disabled, homeless, and youth all contribute to community's quality of life. For a detailed list of services provided please refer to the Application Notebook.

### **CURRENT YEAR FISCAL IMPACT**

At this time, Council is reviewing the funding requests and recommendations 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 2014/2015 proposed budget. There is no fiscal impact to the General Fund as a result of this action.

### **ONGOING FISCAL IMPACT**

There is no ongoing fiscal impact to the City's General Fund as all costs associated with the



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**File#: 14-0077, Item#: 10.**

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administration of the CDBG, HOME and ESG programs are covered by the respective grants.