



City of Chula Vista

Staff Report

File#: 17-0042, **Item#:** 9.

CONSIDERATION OF ACCEPTANCE OF A REPORT REGARDING 2017/2018 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 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 2017/2018 funding recommendations for the City's use of these federal grant programs.

ENVIRONMENTAL REVIEW

Environmental Notice

CEQA: The activity is not a "Project" as defined under Section 15378 of the California Environmental Quality Act (CEQA) State Guidelines; therefore, pursuant to State Guidelines Section 15060(c)(3) no environmental review is required.

NEPA:

Under the National Environmental Policy Act (NEPA), the activity is exempt per Title 24, Part 58.34(a)(2)(3) of the Code of Federal Regulations and pursuant to the U.S. Department of Housing and Urban Development Environmental Guidelines; therefore, pursuant to NEPA no further environmental review is required.

Environmental Determination

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 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 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 on specific 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 identified within the ConPlan, while 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 for the corresponding grant year.

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

CATEGORY	PRIORITY	ACTIVITY TYPE
Housing Priorities	1. Production of Affordable Housing	<ul style="list-style-type: none">• New construction of affordable rental housing• Acquisition and rehabilitation for rental housing
	2. Affordable Housing Programs	<ul style="list-style-type: none">• First-time homebuyer program• Tenant-based rental assistance program
Community Development Priorities	1. Public Services	Services to: <ul style="list-style-type: none">• Special needs/disabled• Youth• Elderly• Homeless
	2. Infrastructure Improvements	<ul style="list-style-type: none">• ADA improvements• New streets and sidewalks• Section 108 Loan Payments
	3. Public Facility Improvements	<ul style="list-style-type: none">• Park and recreation facilities• Neighborhood facilities• Fire stations

2017/2018 Annual Action Plan

Resources

As of the date of this report, HUD has not provided the City's allocation amounts for 2017/18 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 2017/18 allocations have been announced.

For the purposes of this report and preparation of the Action Plan, staff will be assuming a ten percent (10%) reduction from prior year funding for the CDBG and HOME grant programs. In the event that the City receives a higher allocation for the CDBG funds, staff has identified a public facility improvement project for allocation of the excess funds (Refer to Attachment 1, Tab No. 19 - Holiday Estates II). Similarly, any additional funding received for the HOME program, will be allocated towards an identified project, Production of Affordable Housing (Tab 19).

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.

For 2017/2018, the following are the funding amounts available:

Program	Entitlement	Unencumbered Funds	Total Available
Community Development Block Grant	\$ 1,728,565	\$ 370,413	\$ 2,098,978
Home Investment Partnerships Act	\$ 577,935	\$ 698,896	\$ 1,276,831
Emergency Solutions Grant	\$ 151,302	\$ -	\$ 151,302
Total	\$ 2,457,802	\$ 1,069,309	\$ 3,527,111

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 issued in January 2017, with a submittal deadline of February 15, 2017. Housing staff reviewed all proposals to ensure compliance with the prescribed regulations and consistency with the City's goals and objectives.

Copies of all the applications received for each of the grant programs are included with this report as Attachment No. 3 (2017/2018 Federal Grant Funding Application Notebook). An executive summary was prepared for each request summarizing the funding application; including, funding level; proposed use of funds; and, benefit to the community.

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

Community Development Block Grant (CDBG)

The City will utilize a total of \$2,098,978 of CDBG funds for FY 2017/2018. All projects considered for funding must address at least one of the three CDBG National Objectives:

- Benefit primarily low and moderate income families;
- Aid in the prevention or elimination of slums or blight; or,
- Meet community needs due to a major emergency such as a natural disaster.

Projects are then classified into three distinct categories:

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

Below is a summary of the funding recommendations under each respective category. For a complete list of the individual funding requests and recommendations, refer to Attachment No. 2 (Funding Requests and Recommendations).

1. 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. For 2017/18, \$257,962 will be used for public services activities.

Staff's funding recommendations for public service activities are based on funding priorities established in the ConPlan, along with established ranking criteria consisting of a 3-tier approach which categorizes the programs into three distinct levels based on community need.

- Tier I: Emergency Needs: Programs that address basic, fundamental needs including shelter, food, and other commodities.
- Tier II: Special Needs/Disabled: Programs that provide services to persons with disabilities, special needs, and are at high-risk.
- Tier III: 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 eleven (11) public services applications were received. Nine are prior year grant recipients and two are new proposals. Both of the new applications fall within Tier I and are specific to homeless services (Short-Term Housing Voucher Program and South Bay Community Services Homeless Services).

2. Capital Improvement Projects (CIPs) and Community Development: A total of \$1,495,303 is available for eligible capital improvement projects, public facility improvements, and other housing/community development related activities.

The City has earmarked \$762,119 for the City's Section 108 debt service payment on the Section 108 loan utilized for the Castle Park Infrastructure Improvement Program. The remaining funds in the amount of \$733,184 are available 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.

A total of five applications are presented under this category: the City's Section 108 Loan payment; three street/sidewalk CIPs; and, one neighborhood park improvement project.

3. 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% of the grant funds used in the program year. For 2017/18, funds totaling \$310,713 are recommended for administration and planning activities (20% of annual entitlement).

Emergency Solutions Grant (ESG)

Chula Vista is estimating that it will receive approximately \$151,302 in ESG entitlement funds for FY 2017/18. 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, a local homeless service provider, for their emergency shelter. The remaining funds will be earmarked for Homeless Prevention and Rapid Re-Housing Services, Planning and Administration Costs (7.5% of the entitlement), and towards the HUD mandated Homeless Management Information System.

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 2017/18, 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 \$1,276,831). HOME regulations also require cities to set aside fifteen percent (15%) of their annual allocation to assist Community Housing Development Corporations (CHDOs) for the creation of affordable housing units. The City has approximately \$180,000 of CHDO funds available from the prior year and 2017/18 funds to be used by a certified CHDO. Should these funds not be utilized for this specific purpose, these funds would be recaptured by HUD.

Habitat for Humanity, a certified CHDO, has approached the City to discuss a potential project in southwestern Chula Vista, utilizing HOME funds. The project would consist of for-sale housing development made available to families at or below 80% of the Area Medium Income (maximum income for a household of 4 persons \$68,000). Refer to Attachment No. 2, Tab 26 for complete application.

Additionally, staff recommends funding administration and planning activities at the maximum funding amount of \$57,793 (10% of entitlement). Administration and planning funds under this category cover the costs associated with the management and administration of Chula Vista's HOME program, including regulatory compliance, contract administration, and portfolio and fiscal management.

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, the City has lost \$10 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.

Summarized below is the percentage of funds allocated to each specific service.

Funding Category	Funding Source	Percentage of 2017/18 Funding
General Public Services	CDBG	5%
Homeless Services	CDBG & ESG	9%
Administration & Planning	CDBG, HOME & ESG	11%
Debt Service (\$108)	CDBG	21%
CIPs and Park Improvements	CDBG	21%
Housing (non-homeless)	CDBG and HOME	33%

Staff recommends that the City Council conduct the public hearing to solicit input from the community on the 2017/18 funding recommendations presented. The 2017/2018 Annual Action Plan will be released for a 30-day review and comment period on March 17, 2017 and will close April 17, 2017. Staff will incorporate all public comments into the final Annual Action Plan, to be brought forward for Council consideration in May 2017.

DECISION-MAKER CONFLICT

Staff has reviewed the property holdings of the City Council and has found no property holdings within 500 feet of the boundaries of the Third Avenue, Anita Street and Palomar Street and sidewalk projects as well as the Connoley Neighborhood Park Improvement Project. 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	<p>Fosters an Environment of Community Involvement</p> <p>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.</p>
Strategy 5.2:	<p><u>Provide Opportunities that Enrich the Community's Quality of Life</u></p>
Initiative 5.2.1	<p>Provide Services and Programs Responsive to Residents Priorities</p> <p>Consistent with the funding priorities established in the 2015-2019 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.</p>

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 2017/18 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 in the table below and further detailed in Attachment 2.

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Community Development Block Grant (CDBG)	
Public Services	\$ 257,962
CDBG Administration and Planning	\$ 345,713
Section 108 Loan Payment	\$ 762,119
Capital Improvement Projects	\$ 733,184
Subtotal	\$ 2,098,978
Home Investment Partnerships Act (HOME)	
HOME Administration and Planning	\$ 57,793
Affordable Housing Projects/Programs	\$ 1,219,038
Subtotal	\$ 1,276,831
Emergency Solutions Grant (ESG)	
ESG Administration and Planning	\$ 11,345
Shelter Services	\$ 63,777
Homeless Prevention and Rapid ReHousing	\$ 76,180
Subtotal	\$ 151,302
TOTAL CDBG HOME and ESG	\$3,687,358

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: 2017/2018 Funding Available

Attachment 2: 2017/2018 Funding Recommendations

Attachment 3: 2017/2018 Federal Grant Funding Application Notebook

Staff Contact:

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