



City of Chula Vista

Staff Report

File#: 18-0153, **Item#:** 9.

RESOLUTION NO. 2018-075 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA (1) APPROVING THE 2018/2019 U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT ANNUAL ACTION PLAN FOR THE COMMUNITY DEVELOPMENT BLOCK GRANT, HOME INVESTMENT PARTNERSHIPS ACT GRANT AND THE EMERGENCY SOLUTIONS GRANT; (2) AUTHORIZING THE CITY MANAGER OR HIS DESIGNEE TO EXECUTE AGREEMENTS WITH EACH SUBRECIPIENT; AND (3) AUTHORIZING THE CITY MANAGER OR HIS DESIGNEE TO EXECUTE ANY AND ALL HUD DOCUMENTS RELATED TO THE GRANTS

RECOMMENDED ACTION

Council adopt the resolution.

SUMMARY

On an annual basis, the City of Chula Vista receives 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 to enhance the quality of life for Chula Vista's low to moderate income residents. To receive these funds, the City prepares an annual Action Plan to fund specific activities consistent with the housing and community development needs of these residents and strategies to address these needs as identified in the City's adopted 2015-2019 Five-Year Consolidated Plan.

The 2018/19 Annual Action Plan is included in this report for consideration and approval. Approval to execute implementing documents and appropriate funds is also requested.

ENVIRONMENTAL REVIEW

Environmental Notice

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, with the exception of six, are public services and 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 not for a site specific project(s) and will not result in a direct or indirect physical change in the environment.

The capital improvement projects are categorically excluded under NEPA pursuant to 24 CFR 58.35 (a)(1). These projects are also exempt from CEQA pursuant to §15060(c)(3). The activities will not affect density or land use and will have no significant effect on the environment. This item does not include a specific housing development project. Once an affordable housing project has been defined, environmental review will be required and a CEQA/NEPA determination completed prior to initiation of any related project activity.

Environmental Determination

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, with the exception of three, are public services and 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 not for a site specific project(s) and will not result in a direct or indirect physical change in the environment. Therefore, pursuant to §15060(c)(3) of the State CEQA Guidelines, these activities are not subject to CEQA. Under NEPA, the activities qualify 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 and Urban Development Environmental Guidelines. Thus, no further environmental review is necessary at this time.

Capital Improvement Projects:

The Anita Street, "D" Street and Norman Park Improvement Projects are categorically excluded under NEPA pursuant to 24 CFR 58.35 (a)(1) of the NEPA regulations. These projects are also exempt from CEQA pursuant to CEQA guidelines Section 15301 (existing facilities). The activities will not affect density or land use and will have no significant effect on the environment.

BOARD/COMMISSION RECOMMENDATION

Not Applicable

DISCUSSION

As an entitlement community with the U.S. Department of Housing and Urban Development, 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 address HUD's goals of providing decent housing, a suitable living environment, and to expand economic opportunities principally for low/moderate-income persons.

As a recipient of these HUD funds, the City is required to prepare a Consolidated Plan (ConPlan) describing the housing and community development needs of the City's low and moderate income residents and outlining strategies to address those needs over a five year period. The ConPlan provides the necessary policy guidance for implementation of programs and services to be funded by the HUD grants in addressing the identified needs. Those programs and services to be funded each year of the five year ConPlan are detailed in the City's Annual Action Plan, submitted to HUD as its formal application for funding. The City is currently planning for the fourth year of its 2015-2019 ConPlan.

Housing staff has prepared the Action Plan for the 2018/2019 program year and is attached hereto as Attachment No. 1.

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On March 23, 2018, the Congress passed the FY 2018 Omnibus Spending package, which included a 10 percent increase in spending for the Department of Housing and Urban Development program. This increase will result in a 15% increase in Community Development Block Grant (CDBG), a 49% in the Home Investment Partnerships Act Grant (HOME) and a 4% in the Emergency Solution Grant (ESG).

In addition to the entitlement amounts, the City will be carrying forward an unencumbered balance of \$85,730 from CDBG and \$484,189 from HOME (refer to table below for a summary of the total available funds for the 2018/19 program year).

| | 2018/19 | Prior Year | |
|--|-------------|------------|-------------------|
| HUD Entitlement Grant | Entitlement | Balance | Funding Available |
| Community Development Block Grant (CDBG) | \$2,289,135 | \$ 85,730 | \$ 2,374,865 |
| Home Investment Partnerships Act (HOME) | \$ 947,625 | \$ 484,189 | \$ 1,431,814 |
| Emergency Solutions Grant (ESG) | \$ 179,761 | \$ - | \$ 179,761 |
| Total Funding Available | \$3,416,521 | \$ 569,919 | \$ 3,986,440 |

In developing its 2018/2019 Annual Plan, the City released a Notice of Funding Availability (NOFA) for the available HUD grant funds in January 2018. A total of twenty-four (24) applications were received and reviewed for eligibility and funding consideration. The City Council held a public hearing on March 13, 2018 to review those submitted activities to be included for funding as part of the Annual Plan.

The Action Plan includes activities grouped into five distinct categories: I) CDBG Planning and Administration; II) CDBG Public Services; III) CDBG Capital Improvement and Community Development Projects; IV) ESG Projects; and, V) HOME Projects. The following are 2018/2019 proposed activities and recommended funding levels utilizing all funding resources available.

| I. CDBG Planning and Administration Activities | Funding Amount |
|--|----------------|
| CDBG Administration/Planning | \$ 417,827 |
| Fair Housing Services | \$ 40,000 |
| Total Allocated | \$ 457,827 |

| II. CDBG Public Service Activities | Funding Amount |
|------------------------------------|----------------|
| Short-Term Housing Voucher Pgm. | \$ 50,000 |
| Rotational Shelter Network | \$ 11,000 |
| Homeless Services | \$ 39,550 |
| Food 4 Kids Backpack Program | \$ 15,000 |
| Senior Care Program | \$ 12,000 |
| South Bay Food Program | \$ 10,000 |
| Family Violence Treatment Pgm | \$ 39,000 |
| Therapeutic Program | \$ 20,100 |
| FRC Emergency and Basic Svcs | \$ 39,312 |
| KidCare Express Mobile Med Unit | \$ 27,000 |
| Norman Park Senior Services | \$ 30,000 |
| Total Allocated | \$ 292,962 |

| III. CDBG Capital Improvement and Community Development Projects | Funding Amount |
|---|-----------------------|
| Section 108 Loan Payment | \$ 764,000 |
| Anita Street | \$ 300,000 |
| D Street | \$ 426,800 |
| Norman Park Improvements | \$ 85,000 |
| Acquisition and/or Rehabilitation Project | \$ 48,276 |
| Total Allocated | \$ 1,624,076 |

| IV. ESG Activities | Funding Amount |
|----------------------------------|-----------------------|
| ESG Administration/Planning | \$ 13,482 |
| Casa Nueva Vida Shelter Svcs | \$ 63,777 |
| Homeless Management Infor. Svcs. | \$ 8,988 |
| Rapid ReHousing Program | \$ 93,514 |
| Total Allocated | \$ 179,761 |

| V. HOME Activities | Funding Amount |
|---|-----------------------|
| Planning and Administration | \$ 91,814 |
| Anita Street Affordable Housing Project | \$ 1,040,000 |
| CHDO Notice of Funding Availability | \$ 300,000 |
| Total Allocated | \$ 1,431,814 |

HOME funds are recommended to be partially allocated to the Anita Street affordable housing development and partially allocated to a Community Housing Development Organization (CHDO) development.

On October 10, 2017, the City Council approved a \$3,300,000 loan to Wakeland Housing and Development Corporation (Wakeland) for the acquisition of two parcels (750 and 754-760 Anita) and to provide funding for predevelopment costs incurred for the construction of 46 new affordable rental housing units.

The developer has the opportunity to now purchase a third parcel (748 Anita) located in the middle of the two acquired parcels. In order to assemble the necessary financing for the construction of the project, Wakeland has requested additional funding from the City of Chula Vista. Additional investment in the project and acquisition of the third parcel will not only increase the number of new affordable rental units by 27 (increasing the total unit count to 73); but, will promote development continuity and revitalization along Anita Street.

Lastly, a minimum of 15 percent of HOME funds are required to be set aside for specific activities to be undertaken by a special type of nonprofit called a CHDO. A CHDO is a private nonprofit, community-based organization that has staff with the capacity to develop affordable housing for the community it serves. In order to qualify for designation as a CHDO, the organization must meet certain requirements pertaining to their legal status, organizational structure, and capacity and experience. Until now, the City has been unsuccessful in identifying eligible local CHDOs to partner with. Currently there is three years' worth of CHDO funds available (refer to table below).

| | | |
|--|----|---------|
| Prior Year CHDO Reserves (2016/17 and 2017/18) | \$ | 192,343 |
| 2018/19 CHDO Reserve | \$ | 89,137 |
| Total CHDO Fund Reserves | \$ | 281,480 |

A portion of the CHDO funds (\$89,137) will be allocated to Wakeland for the Anita Street Affordable Housing Project, as they have now been certified as an eligible CHDO. The remaining available CHDO funds (\$192,343) will be released as part of a Notice of Funding Availability during the 2018/19 program year. Any CHDO funds not committed and allocated within a timely fashion is subject to de-obligation by HUD and no longer available to the City for allocation.

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 capital and park improvement projects. 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 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 Priorities

Consistent with the funding priorities established in the 2015-2019 Consolidated Plan, the CDBG, HOME and ESG activities selected are aimed at providing 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.

CURRENT YEAR FISCAL IMPACT

Staff recommends the following appropriations be made as part of the 2018/19 City Manager's Budget to fund the Annual Action Plan activities previously described and more specifically defined below:

| | | |
|--|----|-----------|
| Community Development Block Grant (CDBG) | \$ | 2,289,135 |
| CDBG Prior Year Unencumbered Funds | \$ | 85,730 |
| Home Investment Partnerships Act (HOME) | \$ | 947,625 |
| HOME Prior Year Unencumbered Funds | \$ | 484,189 |
| Emergency Solutions Grant (ESG) | \$ | 179,761 |
| Total 2018/19 Grant Funding | \$ | 3,986,440 |

The activities funded through the Community Development Block Grant, Home Investment Partnerships and Emergency Solutions Grant are fully reimbursable from the Department of Housing and Urban Development. This results in no fiscal impact to the General Fund. In the remote event that HUD should withdraw these grant funds, the Subrecipient Agreements provide that the City is not obligated to compensate the sub-recipients for program expenditures.

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

1. 2018/19 Annual Action Plan
2. Sample HUD Funding Agreement
3. Sample CDBG Subrecipient Agreement
4. Sample CDBG Interdepartmental MOU
5. Sample ESG Subrecipient Agreement
6. Sample HOME CHDO Agreement

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