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Staff Report for the City of San Leandro U.S. Department of Housing and Urban Development (HUD) Draft FY 2015-2019 Five-Year Consolidated Plan and Draft FY 2015-2016 Annual Action Plan

### RECOMMENDATIONS

Staff recommends the City Council hold a public hearing, publish the Proposed FY 2015-2019 Consolidated Plan and the Proposed FY 2015-2016 Annual Action Plan for a 30-day comment period (March 20 - April 20, 2015), and set a public hearing for April 20, 2015 to consider final approval of the FY 2015-2019 Five-Year Consolidated Plan and FY 2015-2016 Annual Action Plan.

### BACKGROUND

The Draft FY 2015-2019 Five-Year Housing and Community Development Strategic Plan (Consolidated Plan) identifies the City's housing and community development needs and outlines strategies for meeting those needs. It updates the existing FY 2010-2014 Five-Year Consolidated Plan. The Draft FY 2015-2016 Annual Action Plan (Action Plan) represents the first year of the FY 2015-2019 Consolidated Plan and outlines the City's implementation strategies through the use of Community Development Block Grant (CDBG) and Home Investment Partnership (HOME) funds from the U.S. Department of Housing and Urban Development (HUD).

As a CDBG entitlement grantee, the City directly receives CDBG funds from HUD each year. In order to receive its annual CDBG grant allocation, the City must update its Consolidated Plan every five years and submit an Annual Action Plan to HUD.

The City participates in the Alameda County HOME Consortium, which is made up of Alameda County and Alameda County cities, excluding Berkeley and Oakland. As such, the City must apply to the County to receive its annual share of HOME funding. As part of this process, the City's Annual Action Plans must be submitted to Alameda County. The County serves as the lead agency for the Consortium and the HOME Program and is responsible for submittal to HUD of the Annual Action

Plan documents on behalf of the entire Consortium. The County requires all Consortium members to prepare and submit their respective Consolidated Plans through HUD's online application system, which streamlines formatting and HUD review.

There are three major goals identified for the funds under the Housing and Community Development Act from which the CDBG Program originated:

- Provide decent housing
- Provide a suitable living environment
- Expand economic opportunity

In addition, CDBG funds must be used to meet one of three national objectives:

- 1) benefit low- and moderate-income persons,
- 2) aid in the prevention of slum and blight, or
- 3) meet an urgent need.

HOME funds, meanwhile, must be used specifically for housing opportunities for low- and moderate-income persons.

The City will receive \$628,306 in CDBG funds from HUD in FY 2015-16, which represents about a 9%, or \$63,000 reduction, from the current fiscal year. In addition, the City will receive \$141,964 in new HOME funds for FY 2015-16 available for general administration and affordable housing projects as part of the Alameda County HOME Consortium. The FY 2015-16 HOME funding allocation from HUD reflects a 7%, or \$11,000, reduction from the current year.

### Citizen Participation Process

HUD Consolidated Plan regulations provide guidelines for the City to develop a Citizen Participation Plan that governs the public input and noticing processes for creating the Consolidated Plan and subsequent annual action plans. The goal of the Citizen Participation Plan is to encourage broader public involvement in the planning and allocation of CDBG and HOME funds and implementation of related programs

The City conducted two community meetings, on January 20<sup>th</sup> and 28<sup>th</sup>, in geographically dispersed locations to enable more citizens to attend the meetings. The meetings were advertised through many outlets including the City website; City facilities like City Hall, City libraries, the community centers; consecutive weekly press releases, and an ad in the *San Leandro Times*. In addition, public service providers and other organizations on the CDBG mailing list, the City's homeowners associations, and other interested parties and individuals were notified of the community meetings via email notices and mailings. The community meetings were held to elicit public comments on what the City's housing and community development priority needs and objectives should be for the next five years. Priority Needs surveys were distributed at the public meetings. A web link to a surveymonkey.com version of the Priority Needs survey was also emailed to the City's CDBG distribution list, which includes the African American, Asian, and Latino Business Councils, community-based organizations (CBOs), Below Market Rate (BMR) property managers, and the San Leandro and San Lorenzo School Districts. The Priority Needs survey was also posted on the City's website to allow those who could not attend the public meetings the opportunity to voice their opinions and concerns regarding the housing and community development needs of the City. In all,

City staff received a total of thirty-six (36) survey responses (7 paper survey responses and 29 surveymonkey responses) and the top priority need to date was affordable rental housing. Please see Attachment B for survey summary.

Notice of the availability of the Draft Consolidated Plan for a 30-day public comment period was published in *The Daily Review* on February 26, 2015. A minimum of two public hearings are required with at least one hearing held before the Proposed Five-Year Strategic Plan and Proposed Annual Action Plan are published for public comment. The City Council will hold a public hearing tonight to receive initial public input on the draft Consolidated Plan and draft Annual Action Plan and to begin the 30-day comment period to run from March 20<sup>th</sup> through April 20<sup>th</sup>, 2015. After tonight's public hearing, a summary of both draft Plans will be published in the newspaper and available for review at the City Clerk's Office and the Community Development Department at City Hall, the Main Library, and on the City's website at <http://www.sanleandro.org/depts/cd/housing/plans.asp>. A public notice for the second public hearing will be published in a regionally circulated newspaper, *The Daily Review*, on April 2, 2015. The City Council will hold the second public hearing on the final versions of both Plans at the April 20<sup>th</sup>, 2015 City Council Meeting. Under Alameda County HOME Consortium requirements, the City's Annual Action Plan will be published along with the County's and other Consortium member cities' plans as one document and submitted to HUD by the County.

## **Analysis**

### **Consolidated Plan for FY 2015-2019**

The City's Five-Year Consolidated Plan is divided into four Priority Needs: Affordable Housing, Homelessness, Supportive Housing, and Community Development Needs. Community Development Needs include public services, public facilities improvements, and economic development. The following section provides a brief overview of the proposed needs, objectives and activities in the Consolidated Plan.

#### ***Affordable Housing Needs***

In the Five-Year Plan, the City proposes to take several actions to address the need for affordable housing in the City. The City will continue allocating CDBG funds primarily to provide fair housing services and preserve affordable housing through the City's Single-Family Housing Rehabilitation Grant Program. Additionally, HOME funds will be applied to potential affordable rental or ownership housing projects, including new construction or acquisition and rehabilitation. Furthermore, the City's Inclusionary Zoning Ordinance that was adopted in December 2004 will also assist in the production of new affordable rental and ownership opportunities for extremely low-, very low-, low-, and moderate-income households primarily through private developers. Lastly, although the City does not administer Section 8 vouchers, it will continue supporting the Housing Authority of Alameda County to maintain its current level of vouchers for San Leandro residents.

#### ***Homelessness Needs***

Homelessness remains one of the most difficult problems facing Alameda County. Homelessness typically occurs due to the lack of affordable housing and/or insufficient income as the result of loss of employment or family illness. Mental disabilities, domestic violence, and alcohol or drug addiction are also contributing factors.

San Leandro has traditionally used the CDBG Program to support a number of homeless-serving activities, and the Consolidated Plan proposes continued support for these activities over the next

five years. Proposed activities include operational funding for programs, specifically the Davis Street Family Resource Center, which is a community social service agency that provides homeless services.

### *Supportive Housing Needs*

In addition to the homeless, there are a variety of other sub-populations in Alameda County, such as persons with physical or mental disabilities and seniors, who need affordable housing integrated with available support services. The City intends to primarily use available HOME funds for any future transitional or permanent supportive housing projects that will serve San Leandro residents with special needs.

### *Community Development Needs - Economic Development*

If funding is available, the City may seek to allocate its CDBG funds to provide loans to eligible small businesses for property upgrades in the next five years. CDBG funds may also be a resource in the future, if the need arises, to develop and implement a neighborhood strategy or plan that includes commercial revitalization. Historically, though, the City has primarily focused CDBG allocations on public services, capital improvements and affordable housing needs due to greater demand for these need categories and limited funding.

### *Community Development Needs - Public Service Support*

The City supports a wide variety of non-profit agencies that provide needed social services in the community. In the Five-Year Plan, the City proposes to continue providing program operational grants to local or regional non-profit agency social services providers serving San Leandro residents. During the next five years, the types of services considered priorities for CDBG funds are likely to include basic needs programs for low-income individuals and families, meal delivery to homebound seniors, and shelter programs. In accordance with HUD regulations, the City cannot commit more than 15% of its annual CDBG allocation (plus the estimated CDBG generated program income from the current fiscal year) toward public services.

### *Community Development Needs - Public Facilities and Improvements*

The City has historically utilized CDBG funds for capital improvement projects initiated by the City. CDBG funds have been used for building and infrastructure improvements in eligible areas, accessibility upgrades to parks and sidewalk ramps, and facility improvements for non-profit agencies serving the community. Over the next five years, the City expects to use available CDBG funds to fund Americans with Disabilities Act (ADA) improvements to public facilities, install ADA curb ramps throughout the City, and assist non-profit social service agencies serving San Leandrans with necessary facility improvements. The City will also use CDBG funds for repaying the City's \$2.5 million HUD Section 108 loan that was used to construct the City's Senior Community Center.

### **Consolidated (or Annual) Action Plan**

The FY 2015-2016 Action Plan outlines the proposed activities, objectives, and budget for the upcoming fiscal year. The Action Plan includes information on funding resources for housing and community development activities, a description of activities to be undertaken during FY 2015-2016, and other actions that the City will take to address issues such as barriers to affordable housing, anti-poverty strategies, and lead-based paint hazards.

The City's CDBG entitlement grant from HUD for FY 2015-2016 is \$628,306. There will be no CDBG program income or unallocated CDBG funds from prior years. The City will receive \$141,964 in HOME funds from the Alameda County HOME Consortium plus an estimated \$433,772 carried over from prior year HOME grants.

The proposed CDBG-funded activities in the FY 2015-2016 Annual Action Plan fall into the following eligible categories:

Public Services, Public Facilities and General Administration.

In accordance with HUD regulations, the City will commit no more than 15% (or \$94,245) of its annual CDBG allocation toward Public Services. The City issued a Community Assistance Grant Program (CAP) Request for Funding Proposal in December 2014 to award two-year grants for FY 2015-2017 (July 1, 2015 through June 30, 2017). The Human Services Commission made final funding recommendations at the February 18, 2015 commission meeting including approval of CDBG grants for public services (conditioned on CDBG grant funding being subject to change if HUD increases or decreases CDBG entitlement grant funding in FY 2016-17). Under the draft Plan, the following non-profits will be funded with CDBG in FY 2015-2016.

<u>Project Name</u>	<u>FY 15-16</u>
CALICO	\$ 19,400
Davis Street Family Resource Center	\$ 34,500
SOS/Meals on Wheels	\$ 25,700
Spectrum Community Services	\$ 14,645
<b>Total</b>	<b>\$ 94,245</b>

For Public Facilities, the City must allocate \$201,417 to HUD for principal/interest payments for the City's outstanding \$2.5 million HUD Section 108 loan, which was used to construct the City's Senior Community Center. In addition, staff proposes allocating the remaining \$116,983 to continue to assist in the implementation of the City's 2010 Updated ADA Transition Plan by funding the completion of architectural modifications designed to make City facilities (including the Main Library, Marina Community Center, City Hall, City Hall South Offices, Police Department, Washington Manor Library, and Marina Park) more accessible to persons with disabilities.

For Housing Activities, staff recommends providing \$90,000 of CDBG funds to continue funding the City's Single-Family Housing Rehabilitation Grant Program, which provides minor repair grants to extremely low- and very-low income San Leandro homeowners, particularly fixed income seniors.

The City's administration funding for FY 2015-2016 will be \$125,661 in order to adhere to the HUD-regulated 20% spending cap on general administration. Staff is recommending the allocation of \$115,661 to City staffing for CDBG program administration. CDBG funds will also be allocated to ECHO Housing's Fair Housing services in the amount of \$10,000. Fair Housing is federally mandated, and ECHO Housing assists the City in meeting HUD requirements to affirmatively push fair housing.

Summary of CDBG FY 2015-2016 Budget

Community Assistance Grant Program	\$94,245
HUD Section 108 Loan	201,417
ADA Transition Plan	116,983
Single Family Housing Rehab Grants	90,000
City Administration	115,661
ECHO Housing	10,000
	<u>\$628,306</u>

Staff proposes to continue using the City's HOME funds for the acquisition, rehabilitation, and/or new construction of affordable rental housing as well as tenant-based rental assistance to serve lower income households in need. Currently, there are no proposed HOME-funded projects.

Current Agency Policies

Current City Council Policy is defined by the FY 2010-2014 Consolidated Plan, adopted by Resolution No. 2010-038 on April 19, 2010. The draft FY 2015-2019 Consolidated Plan will eventually replace the FY 2010-2014 Plan.

### **Applicable General Plan Policies**

The Consolidated Plan addresses the goals of the current General Plan Housing Element, such as increasing the supply of affordable for-sale and rental housing, providing opportunities for home ownership, preserving and rehabilitating existing affordable owner-occupied and rental housing, and addressing special needs populations.

### **Environmental Review**

National Environmental Protection Act (NEPA) and California Environmental Quality Act (CEQA), the latter when applicable, review will be conducted for each project or activity approved by the City Council. Neither NEPA nor CEQA apply to the FY 2015-2019 Consolidated Plan and 2015-2016 Annual Action Plan.

### **Summary of Public Outreach Efforts**

A notice of the public hearing (with partial translations in Chinese and Spanish) was published in the *Daily Review* newspaper on February 26, 2015. Copies of both the Draft FY 2015-2019 Consolidated Plan and Draft FY 2015-2016 Annual Action Plan will be available for review at the City Clerk's Office and the Community Development Department at City Hall, at the Main Library, and on the City's website at <http://www.sanleandro.org/depts/cd/housing/plans.asp> for a 30-day comment period from March 20<sup>th</sup> - April 20<sup>th</sup>, 2015. The second public hearing will be held April 20<sup>th</sup>, 2015, at which time the City Council would review and consider approving both Plans.

### **Fiscal Impacts**

HUD will enter into contract with the City for the annual CDBG entitlement grant amount. The grant is on a reimbursement basis; this means funds would be reimbursed by HUD after expenditure by the City for activities designated in the Annual Action Plan.

### **Budget Authority**

Budget authority for CDBG funds is derived from Title I of the Housing and Community Development Act of 1974 (24 CFR 570 et seq.). Budget Authority for HOME funds is derived from the Federal Home Investment Partnerships (HOME) Program (under Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended).

### **ATTACHMENTS**

- Attachment A - Summary of the FY 2015-2016 proposed activities and funding amounts
- Attachment B - Summary of Responses to Priority Needs Survey

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