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Staff Report for the City of San Leandro U.S. Department of Housing and Urban Development (HUD) Draft FY 2014-2015 Annual Action Plan

### RECOMMENDATIONS

Staff recommends the City Council hold a public hearing, publish the Draft FY 2014-2015 Annual Action Plan for a 30-day comment period (March 31<sup>st</sup> - April 30<sup>th</sup>, 2014), and set a public hearing for May 5, 2014 to consider final approval of the FY 2014-2015 Annual Action Plan.

### BACKGROUND

The FY 2010-2014 Five-Year Housing and Community Development Strategic Plan (Consolidated Plan) identifies the housing and community development needs in San Leandro and outlines the strategies for meeting those needs. The Draft FY 2014-2015 Annual Action Plan (Annual Action Plan) represents the fifth and final year of the Consolidated Plan and implements the 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 from HUD, 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.

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 anticipates receiving approximately \$649,471 in CDBG funds. In addition, the City anticipates receiving approximately \$144,275 in new HOME funds available for general administration and affordable housing projects as part of the Alameda County HOME Consortium.

### Citizen Participation Process

HUD Consolidated Plan regulations require and provide guidelines for the City to develop a citizen participation plan that governs the public input and noticing process 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. A minimum of two (2) public hearings are required with at least one (1) hearing held before the Draft FY 2014-2015 Annual Action Plan is published for public comment. After tonight's public hearing, a summary of the draft Annual Action Plan will be published in the *Daily Review* newspaper and will be available for review at publicly accessible locations. Copies of the Draft FY 2014-2015 Annual Action Plan must be available for review at the City Clerk's office and the City's Community Development Department, both of which are located in City Hall; at the Main Library; and on the City's website at <http://www.sanleandro.org/depts/cd/housing/plans.asp>. The second public hearing will be held May 5, 2014, at which time the City Council should consider approval of the final Plan.

### Analysis

The Draft FY 2014-2015 Annual Action Plan outlines the proposed activities, objectives, and budget for the upcoming fiscal year. Attachment A summarizes the FY 2014-2015 proposed activities and funding amounts. Attachment B contains the Draft FY 2014-2015 Annual Action Plan. The Annual Action Plan includes information on funding resources for housing and community development activities, a description of activities to be undertaken during FY 2014-2015, 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 2014-2015 is projected to be \$649,471. There is no projected CDBG program income. Staff estimates that the City should receive \$144,275 in HOME funds from the Alameda County HOME Consortium plus an estimated \$289,497 carried over

from prior years' HOME grants. For this Draft FY 2014-2014 Annual Action Plan, staff is assuming last year's funding levels for both CDBG and HOME estimates since HUD has not yet finalized its FY 2014-2015 CDBG and HOME budgets. It is anticipated that HUD's allocation of funding levels to entitlement cities and counties should occur soon.

The proposed CDBG-funded activities in the FY 2014-2015 Annual Action Plan fall into the following eligible categories: Public Services, Public Facilities, Housing Activities, and General Administration.

In accordance with HUD regulations, the City will commit no more than 15% (or \$97,420) of its annual CDBG allocation toward Public Services. The City issued a Community Assistance Grant Program (CAP) Request for Funding Proposal (RFP) in November 2012 to award two-year grants through FY 2013-2015 (July 1, 2013 through June 30, 2015). The Human Services Commission made final funding recommendations in late February 2013, approving CDBG grants for public services for two years, with the stipulation that CDBG grants are subject to change if HUD increases or decreases the CDBG entitlement grant from the prior year. FY 2014-2015 is the second year of the two-year cycle. Between FY 2009-10 and FY 2012-13, the CAP Program was funded solely with CDBG funds. In FY 2013-2014, the City approved \$150,000 in General Funds as part of the Community Investment Fund to supplement funding for public service providers.

Under the draft Plan, the non-profits that were awarded CAP funding last FY 2013-2014, will receive the same funding amounts for the upcoming FY 2014-2015. The Human Services Commission confirmed this second year funding recommendation at its February 26, 2014 commission meeting.

<u>Project Name</u>	<u>FY 13-14</u>	<u>FY 14-15</u>
CALICO	\$ 13,000	\$ 13,000
Davis Street Family Resource Center	\$ 41,520	\$ 41,520
FESCO	\$ 13,000	\$ 13,000
SOS/Meals on Wheels	\$ 16,900	\$ 16,900
<u>Spectrum Community Services</u>	<u>\$ 13,000</u>	<u>\$ 13,000</u>
<b>Total</b>	<b>\$ 97,420</b>	<b>\$ 97,420</b>

For Public Facilities, the City must allocate \$204,037 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 center. In addition, staff proposes allocating \$40,000 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, South Offices, Police Department, Washington Manor Library, and Marina Park) more accessible to persons with disabilities. Furthermore, \$88,120 of CDBG funds are proposed to be used for the continued installation of wheelchair accessible sidewalks and curbs throughout the city to bring them into ADA compliance.

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.

The City's administration funding for FY 2014-2015 is anticipated to be \$129,894 in order to adhere to the HUD-regulated 20% spending cap on general administration. Staff is recommending the allocation of \$119,894 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 further fair housing.

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.

### **Applicable General Plan Policies**

The Consolidated Plan addresses the goals of the Housing Element of the General Plan, 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 2014-2015 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 28, 2014. Copies of the Draft FY 2014-2015 Annual Action Plan will be available for review at City Hall (in the City Clerk's office and the City's Community Development Department), 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 31<sup>st</sup> - April 30<sup>th</sup>, 2014. The second public hearing will be held May 5, 2014, at which time the City Council would consider approving the final Plan.

### **Fiscal Impacts**

HUD will enter into contract with the City for the 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 2014-2015 proposed activities and funding amounts
- Attachment B--Draft FY 2014-2015 Annual Action Plan (for CDBG and HOME Funds)

**PREPARED BY:** Steve Hernandez, Housing Specialist II, Community Development