



Legislation Details (With Text)

**File #:** 12-062      **Version:** 1      **Name:** Draft FY12-13 Action Plan  
**Type:** Staff Report      **Status:** Filed  
**In control:** City Council  
**On agenda:** 3/5/2012      **Final action:** 3/5/2012  
**Enactment date:**      **Enactment #:**  
**Title:** Staff Report for the City of San Leandro U.S. Department of Housing and Urban Development (HUD) Draft FY 2012-2013 Annual Action Plan  
**Sponsors:** Luke Sims  
**Indexes:**  
**Code sections:**  
**Attachments:** 1. City of San Leandro DRAFT FY 2012-2013 Action Plan, 2. DRAFT Table 1 for FY12-13 Action Plan for Staff Report

Date	Ver.	Action By	Action	Result
3/5/2012	1	City Council	Received and Filed	

Staff Report for the City of San Leandro U.S. Department of Housing and Urban Development (HUD) Draft FY 2012-2013 Annual Action Plan

**RECOMMENDATIONS**

Staff recommends the City Council hold a public hearing, publish the Proposed FY 2012-2013 Annual Action Plan for a 30-day comment period (March 16 - April 16, 2012), and set a public hearing for April 16, 2012 to consider final approval of the FY 2012-2013 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 these needs. The Draft FY 2012-2013 Annual Action Plan (Consolidated Action Plan) represents the third (3<sup>rd</sup>) year of the Five-Year Plan and implements the strategies from the Five-Year Plan 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, however, the City must update its Consolidated Plan every five (5) years and annually submit the Consolidated Action Plans to HUD. The City participates in the Alameda County HOME Consortium, which is made up of the County and other Alameda County cities, excluding Berkeley and Oakland, and must apply to the County to receive its annual share of HOME funding. The County serves as the lead agency for the Consortium and the HOME Program and is responsible for submittal of the Consolidated Plan documents to HUD on behalf of the entire Consortium.

There are three (3) 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 \$560,739 in Community Development Block Grant (CDBG) funds. In addition, the City anticipates having approximately \$141,409 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 to be held before the Draft FY 2012-2013 Annual Action Plan is published for public comment. After tonight's public hearing, a summary of the draft Plan will be published in the *Daily Review* newspaper and will be available for review at publicly accessible locations. Copies of the Draft FY 2012-2013 Annual Action Plan shall be available for review at the City Clerk's office and the City's Community Development Department, both of which are located in the 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 April 16, 2012, at which time the City Council shall consider approving the final Plan.

#### **Analysis**

The Draft FY 2012-2013 Annual Action Plan outlines the proposed activities, objectives, and budget for the upcoming fiscal year. Attachment A summarizes the FY 2012-2013 proposed activities and funding amounts. Attachment B contains the Draft FY 2012-2013 Annual Action Plan. The Action Plan includes information on funding resources for housing and community development activities, a description of activities to be undertaken during FY 2012-2013, and other actions that the City will be taking 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 2012-2013 is \$560,739 after absorbing a 14.51% reduction from last year's FY 2011-2012 funding amount. While there is no projected CDBG program income, there are approximately \$69,192 unallocated CDBG funds from FY 2011-2012. After a reduction of more than 51% from last year's HOME funding amount, the City will receive \$141,409 in HOME funds from the Alameda County HOME Consortium plus an estimated \$770,463 carried over from prior years' HOME grants.

The proposed CDBG-funded activities in the FY 2012-2013 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 \$84,110) of its annual CDBG allocation (plus the estimated CDBG generated program income from the current fiscal year) toward Public Services. Per the recommendation of the City's Human Services Commission (HSC) and staff, the following non-profits were funded under the City's Community Assistance Grant Program (CAP) for the program's two-year FY 2010-2012 grant cycle. The City did not issue a Request for Funding Proposal (RFP) for the next FY 2012-2014 funding cycle due to the uncertainty of the substantially reduced CDBG funds, which remains the only funding source for the CAP Program. Instead, under the draft plan, the CAP/CDBG contracts for the currently funded non-profits will be extended for one (1) year, and the RFP process shall begin in FY 2013-2014 to allow the City Council and Human Services Commission more time later this year to re-assess the City's public services priorities. Staff recommends an across-the-board reduction of more than 15% in the funding amount for each CAP agency as a result of the City's reduced CDBG funding.

Proposed Programs and funding amounts for FY 2012-2013 are:

- Building Futures with Women and Children (San Leandro Shelter) - \$14,718
- Davis Street Family Resource Center - Basic Needs Program - \$24,530
- Davis Street Family Resource Center - Community Counseling - \$7,009
- ECHO Housing - Rental Assistance Program - \$5,000\*
- ECHO Housing - Tenant-Landlord Counseling - \$10,513
- Girls, Inc. - Family Strengthening Program - \$7,008
- Safe Alternative to Violent Environment (SAVE) - COPS Program - \$7,667
- SOS/Meals on Wheels - Senior Support Services - \$7,667

\*No decrease recommended per HSC's guideline to maintain a \$5,000 grant minimum.

For Public Facilities, the City must allocate \$207,534 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 \$55,000 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. Staff also proposes allocating \$50,000 to Building Futures with Women and Children (BFWC) who will be undertaking ADA-related improvements at their undisclosed domestic violence shelter. This funding amount is in addition to the \$50,000 that BFWC received in FY 2008 for the same shelter. Furthermore, \$31,319 of CDBG funds will be used for the installation of wheelchair accessible sidewalks and curbs throughout the city to bring them into ADA compliance.

For Housing Activities, staff recommends providing the remaining \$90,000 of CDBG funds to replace the lost Redevelopment Agency Housing Set-Aside funds that historically funded the City's Single-Family Housing Rehabilitation Program, which provided loans and grants for major and minor repairs to low and very low-income homeowners. The \$90,000 from CDBG reflects a significant cut to the Housing Rehabilitation Program, which was funded in recent years at \$600,000 from Housing Set-Aside. The CDBG funds will enable the program to remain but only as a minor repair grant program.

The City's administration funding for FY 2012-2013 has been reduced to \$112,147 in order to adhere

to the HUD-regulated 20% spending cap on general administration. The City has historically allocated general administration funding to ECHO Housing's Fair Housing services and to Alameda County EveryOne Home administration. However, due to substantial CDBG cuts for FY 2012-2013, staff is recommending to allocate all \$112,147 funding amount to City staffing for program administration and no funding to ECHO Housing's Fair Housing Services and to EveryOne Home administration. City staff is diligently working towards finding an alternative funding source for these two (2) valuable programs including future post-RDA property tax revenue targeted to affordable housing.

Despite the reduction in HOME funds, 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. As of today, there are no proposed HOME-funded projects.

### **Current Agency Policies**

Current Council Policy is defined by the FY 2010-2014 Consolidated Plan, adopted by Resolution No. 2010-038 on April 19, 2010.

### **Committee Review and Actions**

City staff is planning a presentation to the City Council Business and Housing Development Committee on March 8, 2012 regarding the proposed Draft FY 2012-2013 Annual Action Plan for review and comment.

### **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 2012-2013 Consolidated 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 17, 2012. Copies of the Draft FY 2012-2013 Annual Action Plan shall 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 16<sup>th</sup> - April 16<sup>th</sup>, 2012. The second public hearing will be held April 16, 2012, 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 with funds being reimbursed by HUD after expenditure by the City for activities designated in the Consolidated 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 2012-2013 proposed activities and funding amounts
- Attachment B--Draft FY 2012-2013 Annual Action Plan (for CDBG and HOME Funds)

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