



Legislation Details (With Text)

**File #:** 16-129      **Version:** 1      **Name:** SR Draft FY16-17 Action Plan  
**Type:** Staff Report      **Status:** Filed  
**In control:** City Council  
**On agenda:** 3/21/2016      **Final action:** 3/21/2016  
**Enactment date:**      **Enactment #:**  
**Title:** Staff Report for the City of San Leandro U.S. Department of Housing and Urban Development (HUD) Draft FY 2016-2017 Annual Action Plan

**Indexes:**

**Code sections:**

**Attachments:** 1. DRAFT Summary of Proposed Activities & Funding for FY16-17 Action Plan, 2. DRAFT City of San Leandro FY2016-2017 Action Plan - without attachments

Date	Ver.	Action By	Action	Result
3/21/2016	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 2016-2017 Annual Action Plan

**RECOMMENDATIONS**

Staff recommends the City Council hold a public hearing, publish the Draft FY 2016-2017 Annual Action Plan for a 30-day comment period (March 22<sup>nd</sup> - April 20<sup>th</sup>, 2016), and set a public hearing for May 2, 2016 to consider final approval of the FY 2016-2017 Annual Action Plan.

**BACKGROUND**

The FY 2015-2019 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 2016-2017 Annual Action Plan (Annual Action Plan) represents the second 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 receives CDBG funds directly 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 Plan 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's CDBG allocation for FY2016-2017 is \$650,261. This is a 3.49% increase (or \$21,955) from last year's \$628,306 allocation. In addition, the City will be allocated \$156,659 (a 10.35% or \$14,695 increase from last year's \$141,964 funding) 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 provide guidelines and requirements 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 2016-2017 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 2016-2017 Annual Action Plan will 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 2, 2016, at which time the City Council will consider approval of the final Plan.

### Analysis

The Draft FY 2016-2017 Annual Action Plan outlines the proposed activities, objectives, and budget for the upcoming fiscal year. Attachment A summarizes the FY 2016-2017 proposed activities and funding amounts. Attachment B contains the Draft FY 2016-2017 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 2016-2017, 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 2016-2017 is \$650,261. There is no projected CDBG program income or unallocated CDBG funds from prior years. The City will also receive

\$156,695 in HOME funds from the Alameda County HOME Consortium plus an estimated \$256,761 carried over from prior years' HOME grants.

The proposed CDBG-funded activities in the FY 2016-2017 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 \$97,539) 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 2016-2017. FY 2016-2017 is the second year of the two-year cycle. Additionally, the City, as part of its biennial budget for FY 2015-2017, 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 following non-profit public service providers will continue to be funded with CDBG in FY 2016-2017. The Human Services Commission will confirm this second year funding recommendation at its March 23, 2016 Commission meeting.

<b><u>Project Name</u></b>	<b><u>FY 16-17*</u></b>
CALICO	\$ 20,071
Davis Street Family Resource Center	\$ 35,731
SOS/Meals on Wheels	\$ 26,591
Spectrum Community Services	\$ 15,146
<b>Total</b>	<b>\$ 97,539</b>

*\*reflects a 3.5% increase for each nonprofit from FY 15-16*

For Public Facilities, the City must allocate \$198,234 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 \$134,436 to continue 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.

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 2016-2017 is \$130,052 in order to adhere to the HUD-regulated 20% spending cap on general administration. Staff is recommending the allocation of \$120,052 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, the nonprofit developer BRIDGE Housing Corporation has applied for the City's \$256,761 uncommitted HOME funds to assist with the construction of Marea Alta Phase 2, which will consist of an 85-unit affordable rental development for seniors. BRIDGE is currently applying for financing for Phase 2, which would not commence construction until after the 115-unit Phase 1 development is completed.

### **Current Agency Policies**

Current City Council Policy is defined by the FY 2015-2019 Consolidated Plan, adopted by Resolution No. 2015-080 on April 20, 2015.

### **Applicable General Plan Policies**

The Consolidated Plan addresses the goals of the 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 review and approval of the FY 2016-2017 Annual Action Plan, because there is no foreseeable effect on the environment.

### **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 March 4, 2016. Copies of the Draft FY 2016-2017 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 22<sup>nd</sup> - April 20<sup>th</sup> 2016. The second public hearing will be held May 2, 2016, at which time the City Council will 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 are 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 2016-2017 proposed activities and funding amounts
- Attachment B--Draft FY 2016-2017 Annual Action Plan (for CDBG and HOME Funds)

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