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Staff Report for the City of San Leandro U.S. Department of Housing and Urban Development (HUD) Draft FY 2013-2014 Annual Action Plan

RECOMMENDATIONS

Staff recommends the City Council hold a public hearing, publish the Proposed FY 2013-2014 Annual Action Plan for a 30-day comment period (April 5th - May 6th, 2013), and set a public hearing for May 6, 2013 to consider final approval of the FY 2013-2014 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 2013-2014 Annual Action Plan (Consolidated Action Plan) represents the fourth (4th) 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 \$141,817 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 2013-2014 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 2013-2014 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 May 6, 2013, at which time the City Council shall consider approving the final Plan.

Analysis

The Draft FY 2013-2014 Annual Action Plan outlines the proposed activities, objectives, and budget for the upcoming fiscal year. Attachment A summarizes the FY 2013-2014 proposed activities and funding amounts. Attachment B contains the Draft FY 2013-2014 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 2013-2014, 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 2013-2014 is projected to be \$560,739. There is no projected CDBG program income. There is approximately \$69,192 unallocated CDBG funds from FY 2012-2013 after unused balances from general administration and capital improvement related activities were carried over from FY 2010-2011. The City is estimated to receive \$141,817 in HOME funds from the Alameda County HOME Consortium plus an estimated \$903,816 carried over from prior years' HOME grants. Both CDBG and HOME funding estimates assume last year's funding levels since HUD has not yet finalized its CDBG and HOME budgets for FY 2013-14.

The proposed CDBG-funded activities in the FY 2013-2014 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. 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). Similarly since 2010, the City anticipates that it will be unable to allocate local General Funds to the CAP Program, and as a result, the CAP Program is again anticipated to be funded solely with CDBG funds.

The Human Services Commission (HSC) and staff reviewed and updated the RFP's funding criteria in order to most effectively target the limited CDBG funding resources towards the City's most critical basic needs, which the HSC identified as food, shelter, mental health and health care. The following were added to the existing funding criteria of the CAP Program:

- A CAP Program recipient will receive a minimum grant of \$10,000 (\$5,000 was the previous minimum award amount).
- Agencies will be limited to submitting only one (1) grant application (previously agencies that provide multiple services and programs were awarded with multiple grants).
- A fresh look at funding will be considered (historical funding was previously used as a funding criterion).
- A program's sources of funding will be considered (other funding sources were previously not used as a funding criterion).

HSC made final funding recommendations on February 26, 2013, approving CDBG grants for public services for two (2) years, with the stipulation that CDBG grants are subject to change if HUD increases or decreases the CDBG entitlement grant from the prior year. Per the HSC's recommendation, the following non-profits were awarded CAP funding for FY 2013-2014 as well as for the next fiscal year, 2014-2015:

- Child Abuse Listening, Interviewing and Coordination Center (CALICO) - \$10,000
- Davis Street Family Resource Center - Basic Needs Program - \$40,000
- Family Emergency Shelter Coalition (FESCO) - \$10,000
- SOS/Meals on Wheels - Senior Support Services - \$14,000
- Spectrum Community Services - \$10,000

CALICO, FESCO, and Spectrum Community Services are new CAP grantees. Girls, Inc., Safe Alternative to Violent Environment (SAVE), and ECHO Housing Rental Assistance Program, which received CAP funding in the last 2-year funding cycle in FY 2010-2012, were not selected to receive funding. In addition, Building Futures with Women & Children, which operates the San Leandro Shelter, and ECHO Housing Tenant-Landlord Counseling, both of which have historically received CDBG CAP funds, will now receive General Funds designated for affordable housing activities. These allocations from the General Fund will be cost neutral.

For Public Facilities, the City must allocate \$206,094 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 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, \$82,690 of CDBG funds will 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 2013-2014 is anticipated to be \$112,147 in order to adhere to the HUD-regulated 20% spending cap on general administration. Staff is recommending the allocation of \$102,147 to City staffing for CDBG program administration. CDBG funds will also once again be allocated to ECHO Housing's Fair Housing services. Staff proposes to allocate \$10,000 to fair housing services to assist the City in meeting the HUD requirement to affirmatively further fair housing. In FY 2012-13, Council approved \$10,000 in General Funds for ECHO Housing's Fair Housing Services. However, staff is recommending that CDBG funds once again pay for fair housing activities, which is federally mandated and regulated. Consequently, there is no net increase in CDBG or General Fund monies because the \$10,000 in CDBG funds for fair housing shall be offset by charging \$10,000 in General Fund (formerly for fair housing) to administration costs for the City Housing Services Division, which administers housing and community development activities including the CDBG Program.

Additionally, 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 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 2013-2014 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 March 15, 2013. Copies of the Draft FY 2013-2014 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 April 5th -

May 6th, 2013. The second public hearing will be held May 6, 2013, 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 2013-2014 proposed activities and funding amounts
- Attachment B--Draft FY 2013-2014 Annual Action Plan (for CDBG and HOME Funds)

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