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Staff Report for the Public Hearing for the City of San Leandro U.S. Department of Housing and Urban Development (HUD) Draft Fiscal Year 2019-2020 Annual Action Plan

SUMMARY AND RECOMMENDATIONS

At the public hearing, staff recommends the City Council approve a motion to publish the Draft FY 2019-2020 Annual Action Plan for a 30-day comment period (April 2 - May 1, 2019), and set a public hearing for May 6, 2019, or as soon thereafter as the hearing may be held pending final approval of the federal budget, to consider final approval of the FY 2019-2020 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 FY 2019-2020 Annual Action Plan represents the fifth and final year of the FY 2015-2019 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 (Consortium), which consists of the County of Alameda and all Alameda County cities, except Berkeley and Oakland. The City must apply to the County to receive its annual share of HOME funding. As part of this process, the City must submit its Annual Action Plan to Alameda County. The County serves as the lead agency for the Consortium and the HOME Program and is responsible for submitting the Annual Action Plan documents on behalf of the

entire Consortium to HUD.

Under the Housing and Community Development Act (from which the CDBG Program originated) there are three major goals identified for the funds:

- 1) Provide decent housing;
- 2) Provide a suitable living environment; and
- 3) 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 must be used specifically for housing opportunities for low- and moderate-income persons.

The City's CDBG entitlement grant from HUD for FY2019-2020 is projected to be \$714,909. In addition, the City will be allocated an estimated \$244,691 in new HOME funds available for general administration and affordable housing projects as part of the Consortium. Both CDBG and HOME funding estimates assume last year's funding levels due to the delayed federal budget and HUD not yet finalizing its CDBG and HOME budgets for FY 2019-2020.

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 2019-2020 Annual Action Plan is published for public comment.

A summary of the draft Annual Action Plan was published in the *Daily Review* newspaper on March 15, 2019. Copies of the Draft FY 2019-2020 Annual Action Plan will be available for review during normal office hours 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 <https://www.sanleandro.org/depts/cd/housing/plans.asp>. Assuming HUD finalizes the CDBG and HOME budgets in the next few weeks, the second public hearing will be held May 6, 2019, at which time the City Council will consider approval of the final Plan.

Analysis

The Draft FY 2019-2020 Annual Action Plan outlines the proposed activities, objectives, and budget for the upcoming fiscal year. Attachment A summarizes the FY 2019-2020 proposed activities and funding amounts. Attachment B contains the Draft FY 2019-2020 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 2019-2020, 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 2019-2020 is currently projected to be the same as the current FY 2018-2019 level of \$714,909. There is an estimated \$300,000 in unallocated CDBG funds from prior years from a loan repayment in FY2017-2018 from Davis Street Family Resource Center for acquisition of its existing building around 2009. There will be an estimated \$39,975 in funds carried over from the prior year's CDBG unused funds. The City also projects its pro-rata share of HOME funds to be \$244,691 from the Consortium. There are no estimated funds carried over from the prior year's HOME funds.

The proposed CDBG-funded activities in the FY 2019-2020 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 approximately \$107,236) of its annual CDBG allocation toward Public Services. The City issued a Community Assistance Grant Program (CAP) & CDBG Request for Funding/Grant Application in March 2019 to award two-year grants for FY 2019-2020 and FY 2020-2021. The review of the RFP respondents is still outstanding therefore the recipients of the City's CDBG Public Services funding is still to be determined. The recently completed *City of San Leandro Recreation and Human Services Department Human Services Gap Analysis* will guide the prioritization of CDBG (and CAP) funding commitments. Those priority areas are services targeting the following populations: 1) those with mental and behavioral health needs, 2) victims of domestic violence, and 3) those with food insecurity issues.

The City's proposed biennial budget for FY 2019-2021 also includes \$150,000 in General Funds as part of the Community Investment Fund, which support CAP and supplements CDBG funding for public service providers. Note that CAP is administered by the City's Recreation and Human Services Department separately from the CDBG Program, which is administered by the Community Development Department.

For Public Facilities, the City proposes to allocate \$187,414 to HUD for principal/interest payments for the City's outstanding \$2.5 million HUD Section 108 loan, which helped finance construction of the City's new Senior Community Center. In addition, staff proposes allocating \$115,000 to continue implementing the City's 2010 Updated ADA Transition Plan by funding the completion of architectural modifications designed to make City facilities (including City Hall, Washington Manor Library, Washington Manor Park/Family Aquatic Center, Halcyon Park, Memorial Park, Stenzel Park, and the San Leandro History Museum and Art Gallery) more accessible to persons with disabilities. The City anticipates receiving an application from the Boys and Girls Club for capital improvement funding for its facility shortly and prior to the May 6 public hearing. Therefore, staff will determine the available amount of CDBG capital improvement funds to assist the San Leandro Boys and Girls Club and include the recommendation in the final FY2019-2020 Action Plan. This funding will be used to augment a General Fund contribution to the project, ultimately resulting in a total support package of \$600,000, consistent with City Council direction as part of the previous year's budget development process.

For Housing Activities, staff recommends providing \$100,000 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.

Administrative funding for FY 2019-2020 is \$142,982, which conforms to the HUD-regulated 20% spending cap on general administration costs and expenses. Staff recommends allocating \$132,982 to City staffing for CDBG program administration and \$10,000 in CDBG funds to ECHO Housing's Fair Housing services. Fair Housing services are federally mandated, and ECHO Housing assists the City in meeting HUD requirements to advance fair housing.

The City uses HOME funds for the acquisition, rehabilitation, and new construction of affordable rental housing as well as tenant-based rental assistance to serve lower income households in need. The City's HOME allocation for FY2019-2020, as well as from FY 2018-2019 and for FY 2017-2018, will be used to repay the County's regional HOME competitive funding pool, of which BRIDGE Housing received approximately \$566,000 in 2012 for the construction of the 115-unit Marea Alta Phase 1 development. Under the Consortium's rules, affordable housing projects within each local jurisdiction may tap into HOME funds from the applicable local jurisdiction's pro-rata annual share, and may also apply for monies from the County-administered regional fund pool. However, local jurisdictions must repay the County's regional pool if their affordable housing projects receive funding from it. In the case of Marea Alta Phase 1, the City Council approved \$650,000 in 2012 from the City's annual HOME allocation allotment and BRIDGE Housing then applied for and received County approval for approximately \$566,000.

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 2019-2020 Annual Action Plan, because there is no foreseeable effect on the environment.

Summary of Public Outreach Efforts

Staff published a notice of the public hearing in the *Daily Review* newspaper on March 15, 2019. Copies of the Draft FY 2018-2019 Annual Action Plan, as well as public notices with partial translations in Spanish and Chinese, 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 <https://www.sanleandro.org/depts/cd/housing/plans.asp> for a 30-day comment period from April 2 - May 1, 2019. The second public hearing is proposed to be held May 6, 2019, at which time the City Council will consider approving the final 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

Attachments to Staff Report

- Attachment A--Summary of the FY 2019-2020 proposed activities and funding amounts
- Attachment B--Draft FY 2019-2020 Annual Action Plan (for CDBG and HOME Funds)

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