



CITY COUNCIL STAFF REPORT

TO: Honorable Mayor and City Council **DATE:** January 21, 2020

FROM: Matthew Bronson, City Manager

PREPARED BY: Bruce Buckingham, Community Development Director
Janet Reese, Associate Planner

SUBJECT: Potential Programs for Inclusion in the 2020 State Community Development Block Grant (CDBG) Application

RECOMMENDATION

Provide direction on the activities and projects to be considered for funding under the 2020 Community Development Block Grant non-entitlement program.

BACKGROUND

The U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) program authorizes the use of funds to assist low- and moderate-income families or aid in the prevention or elimination of slums or blight. There are two types of CDBG programs: "entitlement" and "non-entitlement". Metropolitan cities and urban counties are entitled to receive annual grants under the "entitlement" program – direct from HUD. Metropolitan cities are principal cities or Metropolitan Areas (MAs) or other cities within MAs that have populations of at least 50,000. Urban Counties are within MAs that have population of 200,000 or more excluding the population of metropolitan cities within their boundaries. The "non-entitlement" program is administered by the State Department of Housing and Community Development (HCD) and where the City can apply for funding under a competitive application process. The City has received \$3.2 million in 2013 and 2017 CDBG funding for water line improvements and \$645,000 for Eviction Prevention and Security Deposit programs through successful application for the non-entitlement program.

HCD has worked over the past two years redesigning the CDBG program as required by HUD direction due to the State of California's low expenditure rate of CDBG funds. Due to this major concern, many changes have occurred and will be implemented under the 2020 Notice of Funding Availability (NOFA) process as described in this staff report. The City is required to conduct public outreach regarding potential CDBG projects/activities that could be considered for the next application period including holding a public hearing to discuss the potential application(s) and allow for public input. Therefore, staff requests that the Council review potential CDBG projects/activities and provide direction on the projects/activities that staff should include in the application.

Project/Activity Selection

In order to be considered eligible, a suggested project/activity must meet one or more of the three National Objectives listed in CDBG Federal Statutes:

- Benefit to low- and moderate-income persons;
- Prevention or elimination of slums and blight; or

- Meeting an urgent community need which pose an immediate threat to the health and welfare of the community (State designates when the “urgent need” objective is allowed for a NOFA).

The benefit to low- and moderate-income persons is the most predominately used National Objective. In order to benefit low- or moderate-income persons, the project/activity must either benefit an area that is comprised of at least 51% low- or moderate-income households, or the program benefits individually qualified households (i.e., each participating household is income certified).

In addition to meeting one of the three National Objectives, the project/activity must also fall under one of the categories listed below. The 2020 State NOFA, involving approximately \$60 million in 2019 and 2020 CDBG funds, was recently released. The total application may not exceed \$3,500,000 for Community Development Applications and \$6,000,000 for Economic Development Over the Counter (OTC) applications. Beginning on February 14, 2020, eligible jurisdictions may apply for a maximum of six applications, with one project or program per application with total funding not to exceed \$3,500,000, excluding the Economic Development OTC program.

- Public Improvements OTC (maximum grant of \$3,500,000). Project must be located in and serve a predominantly residential area within the city. Examples include water and sewer facilities, flood and drainage facilities, accessibility related street improvements (i.e., curb ramps), and utilities. In the City’s 2017 CDBG application, only projects located in a specific Census Tract Block Group were eligible because the entire city did not qualify; however, in 2019 the citywide low/moderate-income percentage increased from 48% to 54% or above the minimum of 51% which makes the entire city eligible.
- Public Facility OTC (maximum grant of \$3,500,000). Examples include acquisition, rehabilitation or new construction of buildings used for public purposes such as training, health services, education, senior and recreation centers, nutrition, shelter, day care, temporary housing and fire protection.
- Project Predevelopment (maximum grant up to \$500,000). Predevelopment activities such as the completion of plans and environmental review for a public improvement or public facility project.
- Public Service (maximum grant of \$500,000). Examples include subsistence payments, security deposits, childcare, health care, recreation programs, fair housing counseling, drug and alcohol abuse counseling and testing, homeless services, senior services, and nutrition services benefitting low- and moderate-income persons.
- Planning and Technical Assistance (maximum grant of \$250,000). The product must show a connection to assisting with an eligible CDBG activity that, if implemented, meets a National Objective. Product(s) are submitted to the State at the time of completion. The grant requires a five percent cash match to be expended prior to expenditure of CDBG funds. Examples include studies, analysis, and data gathering.
- Housing Activities:
 - Homeownership Assistance Program (maximum grant of \$1 million): assistance with loans for down-payment or closing costs.
 - Housing Rehabilitation Program for Single Family Homes. (maximum grant of \$1 million): loans for repairs and improvements of owner-occupied units

- Multi-Family (five or more units at a specific site) Housing Rental Rehabilitation Project (with or without acquisition) (maximum grant of \$3.5 million): loan for repairs and improvements of renter-occupied units for sites where the majority of the tenants qualify as low- or moderate-income households.
 - Acquisition of Real Property for Multi-Family (five or more units at a specific site) Projects (maximum grant of \$3.5 million): acquisition of a site where the majority of the tenants qualify as low- or moderate-income households
 - Public Improvements in Support of New Housing (maximum grant of \$3.5 million)
- Business Assistance (maximum grant of \$750,000. Examples include financing of working capital, furniture, equipment, and property repairs/improvements.
 - Microenterprise Assistance (maximum grant of \$500,000). Examples include business training, financing of working capital, furniture, equipment, and property repairs/improvements.

Over the Counter (OTC) Applications

The term OTC was noted above for the Public Improvement and Public Facilities projects as these have been moved from the standard competitive program funding application to a new Over the Counter application process.

The goal of the OTC application process is to expedite CDBG program expenditures by funding projects that are ready to construct. Therefore, projects that have been designed and are ready to construct are eligible to apply for funding.

Potential CDBG Projects

In order to provide Council with a list of potential projects, staff has reviewed Council-adopted policies, the City's Capital Improvement Program, and the Water and Sewer Master Plans to propose the following list of potential projects. The Council may want to discuss additional projects including those that may be received during the public hearing.

Public Improvements OTC

- *Water Line Replacement Project.* The 2013 and 2017 grants completed substandard water lines located within Tract 120, Block 3, but a number of substandard waterlines remain elsewhere in the city. These existing water lines are deficient in size (i.e., "need") and most are beyond their useful life. In addition, there is a need to add control valves to water mains, to add fire hydrants and to replace old galvanized steel water service lines. Water lines and water system components that service primarily residential areas would be eligible for CDBG funding. In anticipation of the NOFA for OTC Public Infrastructure funding, in November 2019 the Council authorized MKN & Associates, Inc. to prepare plans for the replacement of substandard waterlines throughout the city. Design is underway and anticipated to be completed in February. The estimated cost of this project is approximately \$3,000,000.

Public Facilities OTC

- *Senior Center:* A facility serving seniors is a CDBG eligible activity. However, the total funding amount allocated for Public Facility projects is typically very low with only a few projects awarded. The City is currently preparing a senior center feasibility study utilizing 2017 CDBG funds and no design work has been completed. Therefore, this project would not be eligible as part of the new OTC application.

Project Predevelopment

- *Curbs, Gutter, Sidewalks and Corner Ramps*: The Capital Improvement Program identifies the need to construct curb, gutter, sidewalk and corner ramps throughout the city. However, plans for the project have not yet been prepared in order for the project to be eligible to apply for construction funds.

Planning and Technical Assistance

- The City is not aware of a need for an eligible study.

Housing

- *Housing Rehabilitation for sites with less than four units*: The Housing Element includes goals for seeking financing for housing rehabilitation. This program can provide loans for repairs and improvements to owner- or renter-occupied units at a low interest rate, typically between 0-3%. Due to a significant sum of funds benefitting a relatively low number of beneficiaries, staff does not recommend applying for this program.
- *Housing Rehabilitation for Multi-Family developments (sites with more than 4 units)*: The City is not aware of any property owners seeking loan assistance for a qualified site.
- *Homeownership Assistance*: The Housing Element includes goals for seeking financing for first time homebuyers. This program provides a grant to the City which loans the funds to first-time homebuyers for down-payment or closing costs. Due to a significant sum of funds benefitting a relatively low number of beneficiaries, staff does not recommend applying for this program.

Public Service

- *Subsistence payments (Eviction Prevention)*: Under the 2017 funding cycle, \$381,395 was awarded for this program. Through the end of December, the 5Cities Homeless Coalition has expended 43 percent of the funding. To be eligible to apply for additional funds, the program must expend at least 50 percent of existing funds. It is anticipated that by the application deadline in April, 50 percent of the 2017 funds would be expended at the current rate of usage. Therefore, it would likely be an eligible program to include in the application. The 5Cities Homeless Coalition has requested funding of \$325,500 to continue this program to help prevent homelessness (reference Attachment 1).
- *Security Deposits (Rapid Rehousing)*: Under the 2017 funding cycle, \$83,721 was awarded for this program. Through the end of December, the 5Cities Homeless Coalition has expended 71 percent of the funding. Therefore, it is an eligible program to include in the application. The 5Cities Homeless Coalition has requested funding of \$140,000 to continue this program to help prevent homelessness.

Business Assistance & Microenterprise Assistance

- This program provides a grant to the City which loans the funds to eligible businesses. The loans are typically for businesses that do not have access to conventional lending sources. Staff is not aware of any businesses that are seeking such loans.

In conclusion, staff is requesting the Council provide guidance on the projects/programs to apply for funding under the Community Development Block Grant non-entitlement program. Based on the need to replace inadequate water mains as identified in the recently adopted Water Master Plan and recent Council direction to design for the replacement of water mains, staff is recommending that \$3,000,000 of the grant application go towards water line replacement under

the Public Improvements OTC application. Such funding along with previous and current CDBG funding and prospective revenue bond financing will provide most of the funding necessary to implement the Water Master Plan. The Council can also consider the funding request of \$465,000 from the 5Cities Homeless Coalition for subsistence payments and security deposits. Staff will return to the Council in February for formal approval of the application(s) based on the Council's direction.

ALTERNATIVES

1. Provide direction on the activities and projects to be considered for funding under the 2020 Community Development Block Grant non-entitlement program; or
2. Provide direction to staff.

FISCAL IMPACT

Adams Ashby Group, the city's general administration consultant, estimates the cost to prepare an OTC application to be approximately \$7,500, and an additional \$1,000 to add a non-OTC application. The costs associated with the preparation of applications are an eligible expenditure of 2017 CDBG General Administration funds. Approximately 25 percent of the 2017 CDBG General Administration funds have been expended in the past year, with 18 months remaining in the State contract; therefore, there are sufficient funds to prepare the 2020 CDBG applications using 2017 CDBG funds. If awarded, an approved CDBG application is 100% grant funded, including the costs to administer the grant. However, if directed to apply for Planning and Technical Assistance activity, there is a required five percent cash match.

PUBLIC NOTIFICATION

The public hearing notice was published in *New Times* on Thursday, January 9, 2020 and a copy of this staff report was sent to the 5Cities Homeless Coalition. The agenda was posted in accordance with the Brown Act.

ATTACHMENTS

1. 5Cities Homeless Coalition Letter Dated January 14, 2020



5cities homeless coalition
resources. support. hope.

**5Cities Homeless Coalition
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5Cities Homeless Coalition

A 501(c)(3)
Nonprofit Corporation
ID #27-0413593

January 14, 2019

Mr. Bruce Buckingham
Community Development Director
City of Grover Beach
154 South 8th Street
Grover Beach, CA 93433

RE: Public Service Request

Mr. Buckingham

5Cities Homeless Coalition is pleased to be a partner with the City of Grover Beach as part of the City's CDBG program, through which our agency is providing rapid re-housing and homeless prevention assistance by providing case management guidance and direct financial assistance for rent and security deposits for income-eligible residents of Grover Beach who are homeless or who are at imminent risk of homelessness due to a pending loss of housing.

It is our hope that the City will consider including 5CHC in the City's upcoming CBDG funding application that would include a request for \$465,000 to continue this program through another funding cycle. We propose to allocate 70% including personnel to rental assistance (\$325,500) and 30% to deposit assistance including personnel (\$140,000).

Our current CDBG grant through the City of Grover Beach began on May 1, 2019, with \$465,116 in funding, with the intent of serving 51 families with rental assistance and 19 families with deposit assistance. In the first seven months (as of Dec. 31, 2019) we assisted 32 families (85 people) with rental assistance (up to three months each) and 17 families (33 people) with deposit assistance to move into housing. Total expenditures were over \$222,000 or an average of \$26,500 per month.

Requests for assistance have been higher than we originally envisioned, when we began the program. Based on demand we have accelerated spending of the grant, especially for deposit assistance. As of December 31, 2019 there was \$217,649 remaining available for rental assistance and \$24,650 remaining for deposit assistance.

At our current spending levels of \$18,500 per month for case management and rental assistance and \$7,900 for case management and deposits, we estimate we have 13 months funding remaining for rental assistance, and just 4 months for deposit assistance. For this current grant, I would then like to also request that we reallocate \$15,000 from rental assistance to deposit assistance. This will allow us to serve an additional 5 families seeking deposits, and still meet the original metric for serving 51 families with rental assistance. We estimate that, with this change, we will be able to continue to serve Grover Beach residents with this grant for at least another 10 months based on current spending levels.

Thank you again for your consideration.

Sincerely,

Janna Nichols
Executive Director

