

DATE: 12/21/99 AGENDA ITEM # 20  
( ) APPROVED ( ) DENIED  
( ) CONTINUED TO \_\_\_\_\_

TO: JAMES L. APP, CITY MANAGER  
FROM: BOB LATA, COMMUNITY DEVELOPMENT DIRECTOR *BL*  
SUBJECT: YEAR 2000 FEDERAL CDBG, HOME AND ESG PROGRAMS  
DATE: DECEMBER 21, 1999

Needs: For the City Council to give staff direction regarding activities (programs or projects) that the City should apply for funding with the Year 2000 allocations for the following federal grant programs administered by the US Department of Housing and Urban Development (HUD):

- The City's allotment of Community Development Block Grant (CDBG) funds
- County-wide allotment of Home Investment Partnership Act (HOME) funds;
- County-wide allotment of Emergency Shelter Grant (ESG) funds.

Direction to apply for funds will not constitute Council approval of those activities to be funded with Year 2000 CDBG, HOME or ESG funds. Private individuals, organizations, and public agencies are expected to apply for use of the same funds. The Council will hold a public hearing on March 7, 2000 to make its final decision as to which activities will be funded.

- Facts:
1. Via a cooperation agreement with the County of San Luis Obispo, the City is a participating member of an "Urban County" through which it receives an annual entitlement to CDBG funds and has the opportunity to apply for HOME and ESG funds.
  2. HUD's regulations require that all allocations of CDBG, HOME and ESG funds be addressed in a "Consolidated Plan", which is updated annually following public hearings at the city council and board of supervisors levels and a 30 day public review period.
  3. The County has established a schedule to meet HUD's funding cycle. This schedule calls for: all applications for the three grant programs to be submitted to the County (of to the City) no later than January 3, 2000; a draft Consolidated Plan to be circulated in late January; public hearings by the participating cities between March 6 and 8; and public hearings by the Board of Supervisors on March 14 and 28.
  4. The City expects to have a total of \$444,000 in CDBG funds available for its programs and projects in the Year 2000. The County expects to receive \$1 million in HOME funds and \$100,000 in ESG funds.
  5. The County issued a Request for Proposals (RFP) in November 1999. Notice of the RFP was published in the *Telegram-Tribune* and mailed to a large list of interested persons and agencies. In previous years, the City has made applications for programs or projects, and

has received several applications from other persons and agencies for funding for their proposed programs and projects.

6. At its meeting of January 18, 2000, the City Council is scheduled to review all of the applications filed by January 3 and recommend those applications to be listed in the Draft Consolidated Plan as being recommended for funding.
7. At its meeting of March 7, 2000, the City Council will conduct a public hearing on the Draft Consolidated Plan. At that hearing, the Council may consider any of the applications filed by January 3, whether or not they are included in the Draft Consolidated Plan as being recommended for funding.
8. **Attached is a discussion regarding the Year 2000 grant programs.** It contains general program facts, a summary of CDBG allocations since 1996 and suggestions for possible applications for programs or projects that the City Council may want to sponsor.

Analysis and  
Conclusion:

Please see the attached discussion regarding the 2000 CDBG, HOME and ESG Programs for a list of possible programs and projects that have been suggested by various departments. Please note the following about the suggested projects:

- The Public Library Reference and Reading Room project would create a program that require\$ on-going funding. The source of subsequent years' funding has not yet been suggested. To date, the City Council has not been willing to commit future CDBG allocations to an ongoing project.
- The North River Road Nursery Facility has been suggested as a CDBG-funded project. However, it does not appear to be eligible for CDBG funds as it neither provides direct benefit to low income persons, nor does it appear to eliminate blight.

The Council may submit more applications than there will be CDBG funds to support. The purpose of doing so would be to have a variety of projects and programs to consider at the public hearing on March 7, 2000. Additionally, this would provide more time to refine cost estimates for some of the proposals.

Policy

Reference:

Federal regulations for the Community Development Block Grant (CDBG), Home Investment Partnership Act (HOME) and Emergency Shelter Grant (ESG) Programs

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Impact:

Participation in the CDBG Program has involved and will continue to demand a commitment of staff resources. CDBG Regulations provide that a maximum of 20 percent of CDBG funds may be spent for administration of CDBG funds. The balance of funds needed for housing programs administration can come from Redevelopment Low and Moderate Income Housing funds.

Options: a. Via minute action, direct staff to file applications for the following programs and projects:

CDBG: Low Income Benefit (70%)

- Phase 2 of the "Public Improvements to Low Income Neighborhoods" project to install street improvements (curb, gutter, sidewalk) for Park Street, between 28<sup>th</sup> and 34<sup>th</sup> Street and in front of 721 - 28<sup>th</sup> Street. Up to \$120,000 to reimburse the City for general funds advanced to supplement 1997 CDBG funds already allocated to this project.
- Disabled Access improvements to the Carnegie Library Building to supplement 1998 CDBG funds allocated to this project. Up to \$126,400.
- Establish a Public Library Reference And Reading Room at the Paso Robles Youth Arts Foundation's Proposed Center at 32nd & Spring Street. \$66,000 for a part-time staff position, equipment, materials and utilities.

CDBG: Blight Elimination (30%)

- Phase 2 of the Skate Park project. Up to \$105,600 to reimburse the City for Park Development Impact Fee funds advanced to supplement 1996 and 1998 CDBG funds already allocated to this project.
- Alley improvements in the downtown. Up to \$105,600 to continue to improve alleys in the downtown.
- Historic Street Lights in the downtown. Up to \$105,600 to continue to install historic street lights in the downtown.

HOME Program:

First Time Homebuyers Assistance Loan Program: Apply for up to \$300,000 in HOME funds, to be matched with \$100,000 in Redevelopment Low and Moderate Income Housing Funds to form a pool of \$400,000 for deferred-payment second mortgages for low income households that qualify as "first-time homeowners".

b. Amend, modify or reject the proposed programs and projects listed in this report.

Attachments:

1. Discussion Regarding the 2000 CDBG, HOME and ESG Programs
2. Possible Programs and Projects for 2000 CDBG Funds
3. CDBG Revenue and Expense Summary as of 12/03/99

## DISCUSSION REGARDING 2000 CDBG, HOME AND ESG PROGRAMS

### CDBG PROGRAM FACTS

1. Generally, CDBG funds may be used for such programs and projects as housing rehabilitation, first-time homebuyer assistance, commercial rehabilitation, economic development, public facilities, and *new or expanded* public services. (No more than 15% of an annual CDBG allocation may be used for public services.) Specifically, federal regulations are very detailed about what may and may not qualify as an eligible use and each application must be scrutinized for compliance.
2. CDBG Regulations require that at least 70% of all CDBG funds be spent on programs or projects that provide benefit to low income persons (those earning 80 percent or less of the County median income). 30% (or less) of CDBG funds may spent on programs that eliminate blight.
3. Federal regulations further specify that 51% of funds spent on programs designed to benefit low income persons must provide direct benefit to such persons. For example, if CDBG funds are to be used for job creation, it must be documented that 51% of the new jobs go to low income persons. There are some exceptions to this rule. An example would be first-time homebuyers assistance, in which 100% of the program's funds must benefit low income persons.
4. Federal regulations provide that CDBG recipients may use up to 20% of each year's funds for administrative purposes, which include grant and program administration and "capacity building" activities. Since 1994, the City has used the full 20% as part of its Housing Programs Budget in order to avoid an impact on the City's General Fund. Capacity building activities have included the Housing Element Update, Redevelopment Implementation Plan, Multi-Family Zoning Regulations, relocation of tenants of houses on the Multi-Modal Transportation Center site, review of proposed low income housing developments and maintenance of land use inventory and demographic information.
5. It is estimated that the City's will receive \$440,000 in CDBG funds in 2000. Of this, \$286,000 would come directly from HUD and \$154,000 would come from repaid CDBG-funded residential rehabilitation loans.
6. If the \$440,000 in 2000 CDBG funds are allocated as they have been since 1994, the allotments would be as follows:  
  
\$246,400 for programs/projects that benefit low income persons ("70% moneys")  
\$105,600 for programs/projects that eliminate blight ("30% moneys")  
\$ 88,000 for administration  
\$440,000 Total
7. Attached is a table showing the City's CDBG revenues and expenditures since 1996. Revenues include both direct allocations from HUD and "Program Income" from repaid residential rehabilitation loans that had been funded under the two grants from the State's Small Cities CDBG Program.

## POSSIBLE CDBG-FUNDED PROGRAMS AND PROJECTS FOR 2000

Attached is a list of possible activities for the City's allotment of CDBG funds that have been suggested by various departments. Please note the following about the suggested projects:

The Public Library Reference and Reading Room project would create a program that required on-going funding. The source of subsequent years' funding has not yet been suggested. To date, the City Council has not been willing to commit future CDBG allocations to an ongoing project.

- The North River Road Nursery Facility has been suggested as a CDBG-funded project. However, it does not appear to be eligible for CDBG funds as it neither provides direct benefit to low income persons, nor does it appear to eliminate blight.

In addition to the City-sponsored applications, based on historical practice, there will be several privately-sponsored applications for a share of the City's CDBG funds. City staff has been informed that the Food Bank of San Luis Obispo County may make an application for CDBG funds to assist them acquire a new warehouse/distribution facility. As of December 10, 1999, details about such a facility and the amount of requested funding are not known.

## HOME PROGRAM FACTS

1. HOME funds may be used to provide incentives to develop and support affordable rental housing and homeownership affordability for low income households (those earning 80% or less of the County median income).
2. Eligible uses of HOME funds include: site acquisition, construction costs for new homes and apartments, on- and off-site improvements for housing, rehabilitation costs, financing costs, and first-time homeowner assistance. (Note: CDBG funds may be used for all of the above, except for construction costs for new housing.)
3. Federal regulations governing the HOME program requires that recipients provide a 25% match. Redevelopment Low and Moderate Income Housing (LMIH) funds may be used as a match. The value of "sweat equity" and welfare property tax exemptions may also be used as a match.
4. In the City of Paso Robles, HOME funds have been used by Peoples' Self-Help Housing Corp. (PSHHC) to assist in the acquisition of the land for the 71 lot Spring Meadows subdivision east of Airport Road. Since 1994, the County has used HOME funds to make 40 first-time homebuyers, deferred-payment, second trust deed loans, 5 of which were located in the City. Indirectly, the City benefited from HOME funds used by the County for consultant services to prepare loan documents prepared for the County's HOME-funded First-Time Homebuyers Loan Program. The City basically used the County's loan documents in the City's CDBG-funded First-Time Homebuyers Loan Program.
5. Since 1994, the urban county, of which the City is a member, has received about \$1 million in HOME funds annually. HOME funds are not allocated to member jurisdiction in the same manner that CDBG funds are. The cooperative agreement among the County and participating cities calls for all participants to cooperate in the allocation of HOME funds.

6. Since 1994, HOME funds have been used exclusively by four non-profit housing organizations:
  - PSHHC, which has developed several low income projects county-wide;
  - Housing Authority of the City of San Luis Obispo (HASLO), which has used HOME funds to operate the County's First-Time Homebuyers Loan Program, to operate a tenant-based rental assistance program, and to acquire an apartment building in San Luis Obispo;
  - Affordable Homes Development Corp. (AHDC), a new non-profit organization in the County, that used HOME funds to develop new ownership housing in Oceano; and
  - Judson Terrace, which operates a senior housing development in San Luis Obispo, was awarded 1999 HOME funds to build 30 additional units for the frail elderly.

#### POSSIBLE HOME-FUNDED PROGRAM FOR 2000

The City could apply for HOME funds for first-time homebuyer assistance loans and offer Redevelopment Low and Moderate Income Housing (LMIH) Funds as matching funds. This would leverage LMIH Funds, affording more City residents access to affordable housing than if LMIH funds alone were used.

#### ESG PROGRAM FACTS

1. Emergency Shelter Grants (ESG) are used to provide shelter for the homeless.
2. In 1998 and 1999, the urban county received \$100,000 in ESG funds, which were allocated to the Homeless Shelter in San Luis Obispo, Homeless Day Center in San Luis Obispo, Women's Shelter in San Luis Obispo, and Women's Shelter in Atascadero.

In the past two years, the Homeless Housing Project, a North County Organization, has been trying to make a case that a homeless shelter is needed in the North County. They may make applications for ESG, HOME and CDBG funds. It is unknown if they will apply for a share of the City's CDBG funds.

**POSSIBLE CITY-SPONSORED OR CO-SPONSORED ACTIVITIES  
FOR 2000 CDBG FUNDS**

December 10, 1999

Low Income Benefit (70%)

*Estimated Amount \$246,400*

- Phase 2 of the "Public Improvements to Low Income Neighborhoods" project to install street improvements (curb, gutter, sidewalk) for Park Street, between 28<sup>th</sup> and 34<sup>th</sup> Street and in front of 721 - 28<sup>th</sup> Street. Approximately \$120,000 in CDBG funds would be used to reimburse the City for general funds advanced to supplement the \$157,687 in 1997 CDBG funds already allocated to this project.
- Disabled Access improvements to the Carnegie Library Building to supplement \$100,600 in 1998 CDBG funds allocated to this project. The design consultant will be preparing a cost estimate for an elevator, accessible restroom and new secondary "primary entrance" on the south side of the building (an ADA requirement). The cost estimate will be provided prior to December 31, 1999. In the interim, an application amount of \$126,400 is suggested (which equals the \$246,400 expected to be available minus the \$120,000 for the preceding project.)
- Establish a Public Library Reference And Reading Room at the Paso Robles Youth Arts Foundation's Proposed Center at 32nd & Spring Street. This facility would provide reference materials, computers and study area for the neighborhood, whose residents are predominantly low income. An allocation of \$66,000 is proposed, which would include a part-time staff position, equipment, materials and utilities. (Note: CDBG regulations provide that a maximum of 15% of all CDBG funds in any program year may be spent for public services. \$66,000 equals 15% of the \$440,000 in CDBG funds expected in 2000.)

Blight Elimination (30%)

*Estimated Amount \$105,600*

- Phase 2 of the Skate Park project. All or a portion of the estimated amount of \$105,600 in "blight elimination" CDBG funds could be used to reimburse the City for *up to* \$113,300 in Park Development Impact Fee funds advanced to supplement the \$96,978 from 1996 and 1998 CDBG funds already allocated to this project.
- Alley improvements in the downtown. All or a portion of the estimated amount of \$105,600 in "blight elimination" CDBG funds could be used to continue to improve alleys in the downtown. \$26,500 in 1999 CDBG funds were allocated to this effort.
- Historic Street Lights in the downtown. All or a portion of the estimated amount of \$105,600 in "blight elimination" CDBG funds could be used to continue to install historic street lights in the downtown. \$52,000 from 1997 and 1999 CDBG funds were allocated to this effort.
- North River Road Nursery Facility. \$80,000 for greenhouse and related site improvements for a nursery to be jointly operated by the City and Paso Robles Public Schools to propagate street trees and landscaping trees for both entities. (NOTE: This project does not appear to be eligible for CDBG funds.)

## CDBG REVENUE & EXPENSE SUMMARY AS OF: 12/03/99

Federal Year	1996		1997		1998		1999	
	REVENUES		REVENUES		REVENUES		REVENUES	
<b>HUD Allocation</b>	256,564.00		293,311.00		284,704.00		286,380.00	
<b>Program Income</b>	54,600.00		68,630.00		34,068.00		34,000.00	
<b>TOTAL</b>	311,164.00		361,941.00		318,772.00		320,380.00	
	EXPENSES		EXPENSES		EXPENSES		EXPENSES	
Program	Approved	To Date	Approved	To Date	Approved	To Date	Approved	To Date
Seismic	35,160.00	2,048.22	36,866.00	0.00				
FTHB	24,221.62	24,221.62						
LIHAP	20,000.00	20,000.00						
PILIN			157,687.00	28,576.28				
Oak Park			45,000.00	44,590.79				
Boys & Girls Club	45,000.00	43,727.25						
Cuesta Day Care	83,034.00	83,034.00			1,966.00	1,966.00		
Carnegie Library					100,600.00	13,000.00		
Skate Park	20,478.38	16,169.16			76,500.00	0.00		
IOOF Bldg Rehab	19,044.00	0.00			75,956.00	0.00		
Women's Shelter	2,000.00	1,360.00						
YAF Site Acquis							135,000.00	0.00
Main St Lights			50,000.00	0.00			2,000.00	0.00
CAT Bldg Rehab							50,000.00	0.00
Alleys							26,500.00	0.00
Loaves & Fishes							20,000.00	0.00
Boys & Girls Teen							22,880.00	0.00
Administration	62,226.00	62,226.00	72,388.00	72,388.00	63,750.00	63,750.00	64,000.00	18,842.64
<b>TOTAL</b>	311,164.00	252,786.25	361,941.00	145,555.07	318,772.00	78,716.00	320,380.00	18,842.64

NOTES About Programs: Seismic = Seismic Structural Design Study Program; FTHB = First Time Homebuyers Program; LIHAP = Low Income Housing Assistance Program; PILIN = Public Improvements to Low Income Neighborhoods (Park Street Improvements); Oak Park = Expansion of George Stephan Center and Related Improvements; Boys & Girls Club = Boys & Girls Club Rehabilitation; Cuesta Day Care = Cuesta College Day Care Center; Carnegie = handicapped access for Carnegie Library; Odd Fellows Bldg = handicapped access for IOOF Building; Women's Shelter = electrical upgrades to No. County Women's Shelter; YAF Site Acquis. = Youth Arts Facility site acquisition; Main St. Lights = installation of historic street lights in downtown; CAT Bldg Rehab = installation of handicapped access for Classic American Theatre; Alleys = Alley Improvement Program; Loaves & Fishes = relocation assistance for Loaves & Fishes; Boys & Girls Teen = Teen Program for Boys & Girls Club; Administration includes Capacity Building (an administrative function).