

TO: JAMES L. APP, CITY MANAGER
FROM: RON WHISENAND, COMMUNITY DEVELOPMENT DIRECTOR
SUBJECT: 2009 COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM
DATE: NOVEMBER 18, 2008

Needs: For the City Council to (a) decide which applications for the City's 2009 Community Development Block Grant (CDBG) funds should be recommended in the *Draft* Annual Action Plan and (b) set a date for the public hearing for the 2009 CDBG Fund allocations.

Facts:

1. October 14, 2008 was the deadline for submittal of applications for 2009 CDBG funds. As of that date, the City received 14 applications (including applications from the City for "capacity-building" and administrative use of CDBG funds). The total amount of funding requested for the 14 applications comes to \$837,415. Attached is a table and a narrative summary of the 14 applications. Binders containing all of the applications will be available at the Community Development Department counter, Library Reference Desk, and in the City Council's office.
2. The US Department of Housing and Urban Development (HUD) is not expected to publish the amounts of available 2009 CDBG funds to be distributed to recipients until February 2009. The city assumes it will be entitled \$273,000 from HUD for the 2009 CDBG funds.
3. In addition to the annual allocation of entitlement funds, the City has on hand \$2,946.50 in CDBG funds unused from 2005 for the Children's Museum and \$32,136.87 from 2006 for the Seismic Mitigation that can be added to the \$273,000. It is estimated, therefore, that there is as much as \$308,083 in CDBG funds to allocate for 2009.
4. The City receives its allocations of federal CDBG funds through the County of San Luis Obispo. The County takes the lead role in administration of the CDBG program. This includes the preparation, adoption and annual updating of a "Consolidated Plan", which HUD approves following adoption by the County Board of Supervisors. Under a cooperation agreement with the County, the City retains the right to decide how its allocation of CDBG funds will be used.
5. In December 2008, the County will publish a Draft "Consolidated Plan", which will list summaries of the activities that are recommended for consideration by the city councils and Board of Supervisors at public hearings to be conducted in February and March 2009.
6. It is proposed that, at its meeting of November 18, 2008, the City Council review all of the applications and recommend those applications to be listed in the Draft Consolidated Plan as being *recommended* for funding.
7. The Draft Consolidated Plan will be considered by the Council at a public hearing to be conducted in early February 2009. At that hearing, the Council may consider any of the applications filed by October 14, 2008, whether or not they are recommended for funding in the Draft Consolidated Plan.

8. Federal regulations impose several limits on the use of CDBG funds as follows:
 - a. At least 70% of all funds **must** be spent on activities that benefit low income persons, and no more than 30% **may** be spent on activities that eliminate blight; (NOTE: No applications for blight elimination projects were submitted in 2009.)
 - b. No more than 15% of CDBG funds **may** be used for public service activities;
 - c. No more than 20% of CDBG funds **may** be used for administrative uses;
9. The \$308,083 are available to be divided among the proposed activities, as shown below:

\$200,871	minimum for low income benefit – non-public service projects
\$ 46,212	maximum for low income benefit – public service programs
<u>\$ 61,000</u>	maximum for administration and capacity-building
\$308,083	Total

Analysis and
Conclusion:

Non-Public Service Applications (Public Facilities, Housing, Economic Development Projects)

Non-public service applications are applications that apply for funding for activities that aid in community development actions that eliminate slums and blight, avoid the deterioration of property, neighborhood, and community facilities of importance to the welfare of the community, principally serving persons of low and moderate income. Examples of activities CDBG funds can be used for are construction, reconstruction, rehabilitation (including removal of architectural barriers to accessibility) or installation of public facilities and improvements when the primary beneficiaries of the project are of low-income.

In recent years, the City of Paso Robles has experienced increased pressure to make all public facilities accessible to the physically-disabled. The PREC is the largest visitor attraction in the City and has the highest degree of urgency for access improvements. Hence, in recent years the city has support the City’s application for design and construction of concrete sidewalks and related improvements within the public streets’ rights-of-way along the frontage of the Paso Robles Event Center (PREC). This year is no exception, and the City has again applied for more funding which is summarized in the attachment “Summary of 2009 CDBG Applications.” With completion of this project, the primary beneficiaries will be the physically-disabled, which §24 CFR 570.208(a)(2)(A) of federal regulations governing the CDBG Program lists the severely disabled as a clientele that is principally more than 51% low income.

The Housing Authority of the City of San Luis Obispo (HASLO) has also applied under the non-public service applications, which is a project currently going through the planning entitlement process with the City in order to construct an 84-unit multi-family project. However, City staff has requested the County and HASLO to consider amending this application to request federal HOME funds, which are specifically intended to be used for assisting development of low-income housing. The County generally receives \$1.3 million annually in HOME funds.

Public Service Applications

Public services are those activities in which non-profit organizations provide services to low income clients. For several years, the City has received more requests for grants to support public services than it has CDBG funds that may be used for such purposes, and 2009 is no exception.

In 2008, the City required applicants for public services funds to submit certain information to supplement their CDBG applications. Such information included estimates of the number of city residents to be served by their programs, statements of their total requests for CDBG or other grants from other jurisdictions in which their clients reside, information about their annual budgets, etc. In order that the City Council have adequate information on which to base a decision to appropriately allocate the limited public service funds, City staff intends to solicit similar information from public services applicants for 2009 CDBG applications.

The supplemental information will not be available for Council's review on November 18. Therefore, for the Draft Annual Action Plan, it is suggested that the Council confirm whether or not the City will fund public service applications at the full 15% allowed by federal regulations (as it has done for several years now). The final decision on which public service applications would be funded, would be deferred until the public hearing in February 2009.

Administration and Capacity Building

Administration and capacity building services are activities that consist of using City staff time to implement programs identified in the City's Housing Element of the General Plan and in its Redevelopment Implementation Plan to benefit low and moderate income persons and to aid in the prevention or elimination of slums or blight. This activity will further the City's efforts to provide affordable housing to low and moderate income households.

CDBG Regulations provide that no more than 20% of all entitlement and Program Income CDBG funds in any Program Year may be used for administrative purposes. Since becoming entitled to CDBG funds in 1994, the City has split its administrative allotment between grant administration and capacity building.

This year 211 SLO Hotline has submitted an application under administration and capacity building in order to receive funding to share the costs of preparing a study to evaluate the effectiveness of their crisis intervention, support, and information & referral service hotline. Such studies are, by HUD's determination, a type of administrative use of CDBG funds. 211 SLO benefits low to moderate income persons as defined by the U.S. Department of Housing and Urban Development. These persons include: abused children, battered spouses, elderly persons, severely disabled/handicaps, and homeless persons.

In previous years, the City has chosen not to fund requests from other organizations for administration and capacity-building activities. No more than 20% of any year's allocation of CDBG funds may be spent on such activities, and the City has reserved the full 20% for its own use.

Options for Draft One Year Action Plan

There are many more applications than there will be CDBG funds to support. One potential funding option has been prepared, using previous years' allocations as a guide, for the Council's consideration. Some of the 14 applications do not appear in the option; the reasons for this are discussed in the attached summary of applications.

In Option A, priority is given to continuing the installation of sidewalks and related improvements in Riverside Avenue and 24th Street, adjacent to the Paso Robles Event Center, which was begun with an allocation of 2007 CDBG funds and Workforce Housing Reward Funds. Additionally, Option A assumes that the Council will want to allocate the full 15% allowable for public service applications.

Option A provides for funding the following activities:

Sidewalks on Riverside Ave and 24 th Street.....	\$200,871	
Public Services Activities.....	\$ 46,212	(15% of 2009 allocation)
Administration & Capacity Building.....	\$ <u>61,000</u>	(20% of 2009 allocation)
	\$308,083	

Regardless of which activities are listed in the Draft Consolidated Plan as being recommended for funding, the Council will have the authority to approve any of the submitted applications for CDBG funds following a public hearing to be scheduled for early February 2009.

February Public Hearing Dates

Possible dates for the February public hearing are:

- a. Thursday, February 5 (special Council meeting);
- b. Tuesday, February 3 (regular Council meeting);

In past years, the CDBG public hearings have taken as many as 2 hours. A special meeting provides a better environment for focusing on the allotments and reduces the amount of time that the public has to wait to speak.

Policy

Reference: Federal regulations for the Community Development Block Grant Program

Fiscal

Impact: Participation in the federal CDBG Program has involved and will continue to demand a commitment of staff resources. Utilizing CDBG funds avoids adverse impacts on the City's General Fund. It should be noted that any funding request that would come from administration would have an equal adverse effect on the City's Redevelopment Low and moderate Income Housing Fund or the General Fund.

Options:

Subject to public testimony, via minute action:

- A. (1) Identify the following applications to be listed in the Draft One Year Action Plan as being recommended for funding

Sidewalks on Riverside Ave and 24 th Street.....	\$200,871	
Public Services Activities.....	\$ 46,212	
Administration & Capacity Building	\$ <u>61,000</u>	
	\$308,083	

- (2) Set Thursday, February 5, 2009 as the date for the public hearing for 2009 CDBG allocations.

- B. Amend, modify or reject the foregoing options.

Prepared by: Ed Gallagher, City Planner, and Mathew Fawcett, Assistant Planner

Attachments:

- 1. Table Summary of the Applications for 2009 CDBG Funds
- 2. Narrative Summary of 2009 CDBG Applications

CITY OF PASO ROBLES: 2009 CDBG APPLICATIONS

A. Public Facilities, Building Rehab, Housing, Economic Development Projects (National Objective: Low Income Benefit)

#	Applicant	Program/Project	Amount Requested
1	City of Paso Robles	Construct sidewalks on Riverside Ave. and 24 th Street at Paso Robles Event Center	\$200,871
2	Housing Authority of the City of San Luis Obispo (HASLO)	Requests CDBG funds to assist with the acquisition of real property in the City for which HASLO intends to construct and manage an 84-unit multi-family project reserved for low-income tenants.	\$500,000 *
	Total Requested		\$700,871
	Total Available		\$200,871 **

* HASLO may change request from CDBG to HOME funds.

** Assumes that \$46,212 is used for Category B.

B. Public Services (National Objective: Low Income Benefit)

#	Applicant	Program/Project	Amount Requested
3	Economic Opportunity Commission	Senior Health Screening Program	\$ 2,350
4	Economic Opportunity Commission	Teen Academic Parenting Program	\$ 2,850
5	Lifestyles Recovery Center	Drug and Alcohol Abuse Counseling	\$ 12,000
6	Transitional Food & Shelter	Motel Voucher Program for the homeless	\$ 25,000
7	The Literacy Council	The Literacy Program	\$ 4,000
8	Senior Nutrition Program of SLO	Program that provides meals to seniors.	\$ 4,000
9	Big Brothers & Big Sisters	Mentoring Program for disadvantaged youth	\$ 4,000
10	El Camino Homeless Organization	Homeless shelter operating costs and motel vouchers	\$ 15,000
11	People's Self-Help Housing Corporation	Homebuyer Education/Foreclosure Prevention Counseling	\$ 3,000
	Total Requested		\$72,600
	Total Available		\$46,212

C. Administration and Capacity-Building

#	Applicant	Program/Project	Amount Requested
12	211 SLO Hotline	Study the effectiveness of the 211 Hotline program	\$ 3,300
13	City of Paso Robles	Capacity-Building Program: activities to implement Housing Element Programs	\$30,500
14	City of Paso Robles	Administration of City's CDBG Program and all CDBG-funded activities	\$30,500 *
	Total Requested		\$64,300
	Total Available		\$61,000

* An application for funds for Administration is not required.

CITY OF PASO ROBLES: 2009 CDBG APPLICATIONS

Estimated Revenues

2009 HUD Entitlement	273,000.00	Amount expected to be allocated to the City from HUD
Program Income	0.00	Amount from repaid CDBG-funded loans (through September 30, 2008)
Reprogrammed 2005 Funds	2,946.50	Funds unused from the Children's Museum
Reprogrammed 2006 Funds	32,136.87	Funds unused from the Seismic Mitigation
Total	308,083.37	

Expenditure Summary

A. Low Income Benefit- non public service	126,746	Must be at least 70% of \$247,083 (this amount calculated after deducting \$61,000 in administrative funds). May not exceed 30% of \$308,083
B. Blight Elimination	74,125	NOTE: No applications for blight elimination projects were submitted. The tables above, therefore, indicate that the \$74,125 will be combined with the \$126,746 to provide a total of \$200,871 for low income benefit projects.
C. Low Income Benefit - public service	46,212	May not exceed 15% of \$247,083 (this amount calculated before deducting administrative funds).
D. Administration & Capacity-Building	61,000	May not exceed 20% of \$308,083
Total	308,083	

SUMMARY OF 2009 CDBG APPLICATIONS

Public Facilities, Building Rehab, Housing, Economic Development Projects

1. City of Paso Robles: \$200,871. This project is initiated by the City of Paso Robles and consists of design and construction of concrete sidewalks and related improvements within the public streets' rights-of-way along the frontage of the Paso Robles Event Center's (PREC) parking lot and adjacent property. Associated improvements that typically accompany sidewalks include: curbs, gutters, concrete drive approaches, street lights, street trees, and storm drains.

In recent years, the City of Paso Robles has experienced increased pressure to make all public facilities accessible to the physically-disabled. The PREC is the largest visitor attraction in the City and has the highest degree of urgency for access improvements.

Design of the improvements (including a detailed cost estimate) has already been accomplished using State Workforce Housing Reward Funds. The estimated cost of improvements is as follows.

Construction Phase One Improvements	\$365,000
Contingencies and Inflation (20%)	\$ 73,000
Soils Testing	\$ 1,000
<u>Bid Costs (legal ads, printing, postage)</u>	<u>\$ 1,000</u>
Total	\$440,000

The sources of funding to accomplish this project would be as follows:

2009 CDBG funds	\$200,891
2007 and 2008 CDBG funds	\$200,279
<u>Other funds *</u>	<u>\$ 38,830</u>
Total	\$440,000

* Assuming that \$440,000 will be needed to complete the project, the City would potentially need to advance \$38,830 in non-CDBG (e.g. General) funds and seek reimbursement from 2010 CDBG funds.

The primary beneficiaries of the project will be the physically-disabled. Section 24 CFR 570.208(a)(2)(A) of federal regulations governing the CDBG Program lists the severely disabled as a clientele that is principally more than 51% low income. The project is also located in the City's Redevelopment Project Area, which is defined as a blighted area. The City's Redevelopment Implementation Plan, Section 4 of Chapter III, cites inadequate public improvements as a condition contributing to blight.

2. Housing Authority of the City of San Luis Obispo (HASLO): \$500,000. This project proposes to use CDBG funds to assist with the acquisition of real property in city for which HASLO intends to construct and manage an 84-unit multi-family project reserved for low-income tenants.

Presently, HASLO and a project applicant are going through the planning entitlement process with the City in order to construct the above mentioned 84-unit multi-family project. City staff has requested the County and HASLO to consider amending this application to request federal HOME funds, which are specifically intended to be used for assisting development of low-income housing. The County generally receives \$1.3 million annually in HOME funds.

Public Services

3. Economic Opportunity Commission's (EOC) Senior Health Program: **\$2,350**. This program requests that the City contribute funds to share the costs of operation of a county-wide senior health screening program, which served approximately 689 low income seniors county-wide.

The City has supported this program since 2001 and allocated \$2,000 in CDBG funds in 2007 and 2008.

4. EOC's Teen Academic Parenting Program (TAPP): **\$2,850**. EOC requests that the City contribute a share of the costs to operate a county-wide counseling and child care program for pregnant and parenting teen mothers and fathers in all cities in San Luis Obispo County, which is expected to serve approximately 300 low income persons (mothers, fathers and children) county-wide.

The City has supported this program since 2001 and allocated \$2,500 in CDBG funds in 2008.

5. Lifestyles Recovery Center: **\$12,000**. Lifestyles Recovery Center has secured requested funds for operating expenses for their drug and alcohol counseling services for low income persons and for a volunteer training program. The applicant's project they will serve an estimated 280 low income households per month.

The City supported this program in 2002, 2003, 2004, and 2006. (Lifestyles did not apply for 2005 or 2007 CDBG funds.) In 2008, the City allocated \$5,000 in CDBG funds for this activity.

6. Transitional Food & Shelter's Motel Voucher and Apartment Program: **\$25,000**. has requested the City to assist in their program of providing motel and apartment rooms for those homeless that are too ill to stay at a shelter. According to the application, the program will benefit 600 persons or very-low or low income status. .

The City has supported this program since 2001 and allocated \$21,373 in CDBG funds in 2008.

7. The Literacy Council: **\$4,000**. The Literacy Program requests the City to contribute a share of the costs to operate a county-wide program to provide English Language classes to an estimated 700 low income adult persons (county-wide). The funds would be used for salaries, equipment and operating expenses for one year.

The City has supported this program since 2002 and allocated \$2,000 in CDBG funds in 2008.

8. Senior Nutrition Program of San Luis Obispo County: **\$4,000**. The Senior Nutrition Program of San Luis Obispo County has requested the City contribute a share of the costs to operate nine dining rooms throughout the county as well as the operational costs of deliveries of meals to those that are homebound. The program served approximately 130,000 in the 2007/2008 fiscal year and anticipates to serve 12,000 more during the current 2008/2009 fiscal year.

This is the first time Senior Nutrition Program of San Luis Obispo County has requested money of the City.

9. Big Brothers & Big Sisters: **\$4,000**. Big Brothers & Big Sisters requests the City to contribute a share of the costs to operate a county-wide program to provide mentoring services to approximately 100 "at-risk" youth from very-low to low income households (county-wide). The funds would be used for salaries, equipment and operating expenses for one year.

The City has supported this program since 2002 and allocated \$2,000 in CDBG funds in 2008.

SUMMARY OF 2008 CDBG APPLICATIONS, Page 3

10. El Camino Homeless Organization: **\$15,000**. El Camino Homeless Organization (ECHO) requests the City contribute a share of the costs to operate their homeless shelter at certain churches in Atascadero along with the help of covering costs of providing motel vouchers for homeless that meet certain criteria.

The City supported this program in 2005, 2007 and in 2008. The 2008 allocation was \$5,000.

11. People's Self-Help Housing Corporation: **\$3,000**. People's Self-Help Housing (PSHH) request that the City contribute a share of the costs to operate their Homebuyer Education/Foreclosure Prevention Counseling self-help program and share the costs associated with conducting several group trainings throughout the county. PSHH gives priority to Low Income Households as defined by the HUD and records show that 70% of clients served have been low income households.

This is the first time People's Self-Help Housing Corporation has requested money of the City.

Administration and Capacity-Building

12. 211 SLO Hotline: **\$3,300**. 211 SLO requests that the City contribute a share of costs to prepare a study of the effectiveness of their crisis intervention, support, and information & referral service hotline. Such studies are, by HUD's determination, a type of administrative use of CDBG funds. 211 SLO benefits low to moderate income persons as defined by the U.S. Department of Housing and Urban Development. These persons include: abused children, battered spouses, elderly persons, severely disabled/handicaps, and homeless persons.

In previous years, the City has chosen not to fund requests from other organizations for administration and capacity-building activities. No more than 20% of any year's allocation of CDBG funds may be spent on such activities, and the City has reserved the full 20% for its own use.

13. Capacity-Building: **\$30,500**. This activity is classified as an administrative use of CDBG funds. The activity consists of using City staff time to implement programs identified in the City's Housing Element of the General Plan and in its Redevelopment Implementation Plan to benefit low and moderate income persons and to aid in the prevention or elimination of slums or blight. This activity will further the City's efforts to provide affordable housing to low and moderate income households.

The City of Paso Robles has annually conducted a CDBG-funded capacity building program since 1994.

14. CDBG Program Administration. **\$30,500**. The City of Paso Robles has initiated an application to use \$30,800 or about 10 percent of the total amount of 2009 CDBG funds to administer the CDBG program and all of the activities that are approved.

CDBG Regulations provide that no more than 20% of all entitlement and Program Income CDBG funds in any Program Year may be used for administrative purposes. Since becoming entitled to CDBG funds in 1994, the City has split its administrative allotment between grant administration and capacity building.