

TO: JAMES L. APP, CITY MANAGER

FROM: ED GALLAGHER, COMMUNITY DEVELOPMENT DIRECTOR

SUBJECT: 2014 COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM

DATE: NOVEMBER 5, 2013

Needs: For the City Council to (a) decide which applications for the City's 2014 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 2014 CDBG Fund allocations.

Facts:

1. October 15, 2013 was the deadline for submittal of applications for 2014 CDBG funds. As of that date, the City received 6 applications (including applications from the City for "capacity-building" and administrative use of CDBG funds). The total amount of funding requested for the 6 applications comes to \$156,000.
2. 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.
3. The U.S. Department of Housing and Urban Development (HUD) is not expected to publish the amounts of available 2014 CDBG funds to be distributed to recipients until Spring 2014. The City was allocated \$167,775 in 2013 and, based on information from HUD, assumes that it will be entitled \$152,240, which is 10-percent less than the 2013 amount.
5. 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.
6. In late December 2013 or early January 2014, 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, March, and/or April 2014.
7. It is proposed that, at its meeting of November 5, 2013, 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.
8. The Draft Consolidated Plan will be considered by the Council at a public hearing to be conducted in early February 2014. At that hearing, the Council may consider any of the applications filed by October 15, 2013, whether or not they are recommended for funding in the Draft Consolidated Plan.

9. 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;
 - 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;

10. The \$152,240 is available to be divided among the proposed activities, as shown below:
 - \$ 98,956 for low income benefit – non-public service projects *
 - \$ 22,836 maximum for low income benefit – public service programs
 - \$ 30,448 maximum for administration and capacity-building
 - \$152,240 Total

* Of the \$98,956, no more than \$29,686 may be spent on projects that eliminate blight.

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), and installation of public facilities and improvements when the primary beneficiaries of the project are of low-income.

Continuing Projects

1. Turtle Creek Sidewalk Project. **Requesting \$88,000 in 2014 CDBG Funds**. This project was divided into two components: (a) construction of a sidewalk (where none had previously existed) on Scott Street, adjacent to the Senior Center and (b) replacement of an existing 2,000 foot long deteriorating asphalt sidewalk in Turtle Creek Park along Brookhill Drive, which poses a tripping hazard for seniors living in the adjacent Sierra Bonita neighborhood. To date, the Council has allocated \$89,600 in 2010 CDBG funds, \$54,000 in 2011 funds, \$89,609 in 2012 funds, and \$99,609 in 2013 funds to the combined project. The Scott Street component was completed in November 2012. Additional funds will be needed to undertake the Brookhill Drive component.

2. Handicapped Ramps. **Requesting \$10,000 in 2014 CDBG Funds**. The City has recognized that it has a responsibility under the Americans with Disabilities Act (ADA) to provide handicapped ramps where none exist (primarily at block corners) and to replace older ramps that do not comply with standards found to be consistent with the ADA. Over the past three years the City has used CDBG funds to install new ramps at the northern end of Oak Street (36th & Oak and 34th & Oak), and at spring and 26th Streets using CDBG funds. Additional CDBG funds are needed to construct ramps at this and at other locations in the City. The average cost of a ramp, including construction, design, and bidding costs is estimated at \$7,500.

Public Service Applications

Public services are those activities in which non-profit organizations provide services to low income clients. The City has received 3 applications for such services that collectively total \$28,000. The City estimates that it can allocate a maximum of \$22,836 for public services in 2014. CDBG Regulations provide that allocation of funds to public services is optional; that is, the City has no mandate to make such grants.

Similar to last year, HUD is directing that the minimum grant of CDBG funds to any public service be \$10,000. With this constraint, the City will have the following options for public service grants:

- a. Make grants of a minimum of \$10,000 to no more than 2 public service organizations;
- b. Cooperate with other jurisdictions to give grants in which the combined total from all participating jurisdictions is at least \$10,000 (e.g. 5 jurisdictions grant \$2,000 to an organization);
- c. Some combination of options (a" and "b") so that each grantee receives no less than \$10,000;
- d. Make no grants to public service organizations.

For several years, as part of its recommendation for the draft Annual Action Plan, the City Council has limited its discussion of public service grants to determining whether or not it should continue to allocate 15% of each year's CDBG funds for public services. The Council made its decision on which applicants would receive certain amounts at the public hearing to be held in February.

A summary of the three public service organizations requesting 2014 CDGB grant funds are as follows:

- (1) **Senior Nutrition Program of San Luis Obispo County:** This program is requesting \$15,000 for their County wide program that provides hot meals to senior citizens.
- (2) **Lifestyles Recovery Center, Inc.:** This program is requesting \$3,000 for their drug/alcohol counseling program located in Paso Robles.
- (3) **CAPSLO Adult Day Center:** This program is requesting \$10,000 for their Adult Day Care program, which provides supportive day care environment for seniors with early stages of Alzheimer's or other forms of dementia or cognitive impairments.

Administration and Capacity Building

Requesting \$30,000 in 2014 CDBG Funds (\$15,000 for each activity).

Administration refers to staff time and expenses directly related to managing the CDBG program and those activities funded with CDBG funds. As a condition of accepting CDBG funds, the city must ensure compliance with numerous federal regulations that govern aspects such as public

hearings, environmental review, procurement, labor laws, and filing of quarterly reports on progress made and the socio-economic profile of beneficiaries served by the funded activities.

Capacity building refers to staff time and expenses to implement programs identified in the City's Housing Element of the General Plan that benefit low and moderate income persons. Examples include: drafting of housing-related ordinances (e.g. Density Bonuses, Reasonable Accommodation); drafting updates to the Housing Element; maintenance of demographic and land use information; and providing assistance to developers of low income housing in planning applications and funding requests (e.g., Oak Park Redevelopment, and Habitat for Humanity).

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

Options for Draft One Year Action Plan

One potential funding option has been prepared for the Council's consideration.

In Option A, priority is given to:

- Continuing to replace the asphalt sidewalk in Turtle Creek Park with a concrete sidewalk, adding new handicapped ramps, and replacing non-ADA-compliant ramps;
- Constructing new handicapped ramps and replacing non-ADA-compliant ramps at various locations in the City;

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:

Turtle Creek Sidewalk.....	\$ 88,000
Handicapped Ramps	\$ 10,000
Public Services Activities	\$ 22,836
Administration & Capacity Building	\$ 30,000
	\$152,240

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 2014.

February Public Hearing Dates

For several years, the City Council has held its annual public hearing to approve the annual action plan at a special meeting held on a Thursday night. This was done to accommodate the relatively large numbers of applicants for CDBG Funds and the time necessary to hear their oral testimony. With the overall reduction in CDBG funds available and attendant reduction in applications for public service activities, it is no longer necessary to schedule a special meeting.

Therefore, suggested dates for the February public hearing are:

- a. Tuesday, February 4 (regular Council meeting);
- b. Tuesday, February 18 (regular Council meeting).

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.

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

Turtle Creek Sidewalk.....	\$ 88,000
Handicapped Ramps	\$ 10,000
Public Services Activities	\$ 22,836
Administration & Capacity Building	<u>\$ 30,000</u>
	\$152,240

- (2) Set Tuesday, February 4, 2014, the regular Council meeting as the date for the public hearing for 2014 CDBG allocations.

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

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