

TO: James L. App, City Manager

FROM: Ed Gallagher, Community Development Director

SUBJECT: 2014 Community Development Block Grant (CDBG) Program

DATE: February 4, 2014

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Needs: For the City Council to conduct a noticed public hearing and decide which activities are to be approved for funding with the City's 2014 Community Development Block Grant (CDBG) funds.

- Facts:
1. The City is expected to have \$152,240 in CDBG funds available for activities in 2013 from HUD.
  2. From the \$152,240 in 2014 CDBG funds, \$121,792 (80%) will be available for projects and programs and \$30,448 (20%) could be used for program administration.
  3. In October 2014, the City received 8 applications for 2014 CDBG funds totaling \$180,000. Attached are a table and a narrative "Summary of the 2014 CDBG Applications", both of which summarize the 8 applications.
  4. Binders containing all of the applications are available at the reference desk in the Library, at the public counter/reception desk at City Hall, and in the Council's office.
  5. CDBG regulations stipulate that at least 70% of each year's allotment be spent on activities that benefit low income persons, that no more than 30% may be spent on activities that eliminate blight, and that 20% of the total may be spent for administration. (CDBG funds spent on administration are assumed to provide benefit to low income persons and to eliminate blight in the 70%/30% ratio.)
  6. CDBG regulations also provide that no more than 15% of each year's funds *may* be used for public service activities such as homeless services, health services, programs for at-risk youth, etc. In 2014, this 15% cap would amount to \$22,836. Public service activities are classified as benefiting low income persons.
  7. If the \$152,240 in CDBG funds are allocated per the ratios mentioned above, the allotments would be as follows:  
  
\$ 98,956 minimum 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
  8. At its meeting of November 5, 2013, the City Council directed that the Draft One Year Action Plan for spending the City's allotment of 2014 CDBG funds include the following projects:
    - Turtle Creek Sidewalks
    - Handicap Ramps
    - Public Services Grants
    - Capacity Building
    - Administration

9. It should be noted that the City Council is not obligated to approve the allocation of 2014 CDBG funds contained in the draft plan, and may, upon completion of a public hearing, approve any of the applications and may adjust the amounts of funds to be awarded for any given activity as long as the awards comply with regulatory limits discussed in Facts # 5 & 6.
10. The City Council directed staff to solicit additional information from applicants for public service grants to supplement the information provided in the applications filed in October. The information provided by public services applicants have been inserted into the binders described in Fact #4.
11. In 2013 the US Department of Housing and Urban Development (HUD) notified the County and City that substantial changes to the administration of public services grants necessary in order to ensure compliance with Federal Regulations governing the CDBG Program. These will be discussed in detail in the Analysis and Conclusion section of this report.

Analysis and  
Conclusion:

Public Improvement Projects

Please note that, although the City originally applied for funds for the Turtle Creek Sidewalks project, the City recently received bids for the Turtle Creek Sidewalk project that were lower than expected. It appears that the City has the necessary funds to complete the project without the need for 2014 CDBG funds as originally anticipated. Therefore, the Turtle Creek application is unnecessary and the Handicap Ramps project would become the priority for 2014 funds. The City could start with the ramps at 36<sup>th</sup> and Oak near Georgia Brown School, since the design for these ramps has been completed.

Option A recommends allocations to the Handicapped Ramps project.

Public Service Applications

Recently, HUD has increased its efforts to ensure that CDBG recipients fully comply with a variety of Federal Regulations for such matters as income qualification, procurement procedures, accounting principles, environmental review, etc. They have applied pressure to the County (as the direct recipient of CDBG funds) to closely monitor subrecipients (e.g., the City and non-profit organizations that obtain public service grants) and maintain adequate records. These efforts also included a study of the necessary administrative tasks and costs to attain the minimum level of compliance. HUD has concluded that the average cost to properly administer any such public service grant is about \$8,000 and has directed that the minimum public service grant should be \$10,000.

The \$8,000 average cost of administration would include staff time by both the City and the County. City staff estimates that the average amount of time it has spent in the past was a little more than \$5,000 per grant. That amount would increase as the City would need to more-closely monitor grantees' performance, as required by HUD.

Many, but not all, applicants use CDBG grants to cover their own administrative overhead associated with delivering their service. In such a case, a \$10,000 grant with government \$8,000 administrative overhead is essentially equivalent to an \$18,000 grant in which at least 44%, and often much more is used for administrative overhead. It is noteworthy that some applicants use the grants to purchase goods or services that directly benefit clients and others use volunteers to deliver the services.

In 2013, the City made a single public service grant for \$25,373 to El Camino Homeless Organization for operating costs for their homeless shelter in Atascadero. The City has subsequently agreed to have the County administer this grant for an estimated \$700 from the City's allotment of CDBG Administrative Funds.

Since the City is expected to have \$22,836 to grant in 2014, its options are;

- a. Make one public service grant of \$22,836;
- b. Make two public service grants in which both are \$10,000 or more;
- c. Make no public service grants in 2014.

The City received 4 applications for public service grants in 2014. It will no longer be possible to make grants to all applicants. One of the grants (Lifestyles Recovery Center) has requested much less than \$10,000, and therefore would not meet HUD's minimum grant criteria. The other three grants meet the minimum grant amount criteria; however, the City has only enough CDBG funds to make two grants.

Option A proposes that the City do as it did in 2013 and make one public service grant in 2014. Since the City has a history of consistent support for homeless services, it is suggested that the single public services grant be made to El Camino Homeless Organization (ECHO) in the amount of \$22,836 for the following reasons:

- ECHO has capacity to use all of the funds within a year.
- The homeless are considered by Federal Regulations as a class of persons that are primarily low income. This helps reduce staff time in administration of the grant, as fewer variables have to be documented.
- The homeless have perhaps the most acute need for assistance. ECHO's clients are homeless in need of shelter. The Housing Element of the City's General Plan includes an Action Item to "Continue to participate in the countywide Ten Year Plan to End Homelessness."

Option B proposes that no public service grants be made in 2014 and that the \$22,836 be allocated to the Handicap Ramps project.

#### Administration

The City's use of Administrative and Capacity-Building funds is discussed in the Fiscal Impact Section of this report, below. In 2013, the City agreed to have the County administer the \$25,373 grant to ECHO for an estimated cost of \$700, which will be deducted from the City's allocation of 2013 CDBG funds for administration. This arrangement appears to be a cost-

effective (primarily in terms of allocation of City staff resources) manner to administer public service grants.

Policy

Reference: Federal regulations for the Community Development Block Grant Program

Fiscal

Impact: The City is not required to spend any portion of its annual allocation of CDBG funds on program administration. Since the City became entitled to directly receive CDBG funds in 1994, it has opted to spend 20% on administrative activities. Generally, such activities include: direct administration of the CDBG Program and the activities it funds, be they public improvement projects or public services, and “capacity-building” activities that are designed to benefit low income persons. Capacity-building activities have included staff time spend on updating the Housing Element, preparing ordinances to implement Housing Element policies, staff time spent on providing support for affordable housing projects (e.g. Oak Park redevelopment). The 20% for administration does not cover staff’s time spent on all CDBG administrative and capacity building activities. That is, such activities are “backfilled” with General Funds.

Options: Upon completion of a public hearing, take one of the following actions:

- a. Option A: Adopt the attached Resolution 14-XXX to allocate the City’s allotment of 2014 CDBG funds as follows:

Public Facilities: Handicap Ramps .....	\$ 99,404
Public Services Activities: El Camino Homeless Organization (ECHO) .....	\$ 22,836
Capacity Building (an administrative use of CDBG funds) .....	\$ 15,000
Administration .....	<u>\$ 15,000</u>
Total .....	\$152,240

- b. Option B: Adopt the attached Resolution 14-XXX to allocate the City’s allotment of 2014 CDBG funds as follows:

Public Facilities: Handicap Ramps .....	\$122,240
Public Services Activities: none .....	\$ 0
Capacity Building (an administrative use of CDBG funds) .....	\$ 15,000
Administration .....	<u>\$ 15,000</u>
Total .....	\$152,240

Attachments:

1. Resolution Adopting an Annual Action Plan for 2014 CDBG Funds
2. Table Summary of the Applications for CDBG Funds
3. Narrative Summary of CDBG Applications
4. Newspaper Notice Affidavit

RESOLUTION NO. 14-XXX

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES  
DETERMINING THOSE PROJECTS TO BE FUNDED WITH THE CITY'S ALLOTMENT  
OF 2014 COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) FUNDS

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WHEREAS, the City has been notified by the Federal Department of Housing and Urban Development (HUD) that it is entitled to receive Community Development Block Grant (CDBG) funds; and

WHEREAS, via a Cooperation Agreement with the County of San Luis Obispo (hereafter referred to as "County") executed on June 28, 2005, the City waived its individual entitlement status for a period of three years with an option for an automatic three year renewal in order that the County and the cities located therein may qualify as an "Urban County"; and

WHEREAS, on May 17, 2011, the City Council adopted Resolution 11-059 approving a renewal of the Cooperation Agreement; and

WHEREAS, via the Cooperation Agreement, the City retains the authority to determine which projects are to be funded with its allotment of CDBG funds; and

WHEREAS, based on the CDBG entitlement allocation for 2013, the City expects to receive \$152,240 in entitlement CDBG funds in 2014 (which is 10-percent less than 2013 allocation); and

WHEREAS, on August 20, 2013, the urban county published a "Request for Proposals" for projects to be funded under the 2014 CDBG Programs, which provided that proposals were to be submitted by October 15, 2013; and

WHEREAS, on September 16, 2013, the urban county conducted a public meeting in Atascadero for residents of the City and of northern San Luis Obispo County to ascertain the housing and community development needs to be addressed in the Consolidated Plan; and

WHEREAS, on January 16, 2014, the urban county conducted a public meeting in Atascadero for residents of northern San Luis Obispo County, including the City of Paso Robles, to accept comments on the Draft 2014 Consolidated Plan; and

WHEREAS, on January 10, 2014, the City published a notice in the Tribune, indicating that a public hearing would be conducted on the Draft 2014 Annual Action Plan on February 4, 2014; and

WHEREAS, at its meeting of February 4, 2014, the City Council conducted a public hearing to obtain public testimony on the proposed Draft Consolidated Plan;

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of El Paso de Robles, California, as follows:

**SECTION 1.** Based on an expectation that the City will receive \$152,240 in 2014 CDBG funds, to recommend that the Board of Supervisors for the County of San Luis Obispo adopt the 2014 Draft Annual Action Plan, a copy of which shall be kept on file in the Community Development Department, which shall include the following programs to be funded with the City's allotment of CDBG funds:

**Public Facilities**

*Public Facilities are eligible to receive CDBG funds under Section 24 CFR 570.201(c)*

1. **Handicapped Ramps:**

Applicant: ..... City of Paso Robles

Amount Requested: ..... \$99,404

Activity Description: The project consists of installing handicapped ramps in locations where they do not exist and replacing existing handicapped ramps that do not comply with standards consistent with the Americans with Disabilities Act (ADA). This project will address “removal of architectural barriers” and benefit the physically disabled, a class of people regarded to be principally low income. These can be provided anywhere in the City.

Eligibility: Public Facility (24 CFR 570.201(c))

National Objective: ..... Low and Moderate Income Benefit

Explanation ..... Limited Clientele basis (24 CFR 570.208(a)(2)): Handicapped ramps serve the physically-disabled, which are considered to be a group that is principally of low and moderate income.

**Public Services**

*Public Services to low income persons are eligible for CDBG funding under Section 24 CFR 570.201(e). The national objective achieved is benefit to low and moderate income persons in accordance with 24 CFR 570.208(a)(2). Recipients must demonstrate that 51% or more of their clients qualify as low and moderate income persons.*

2. **Emergency Shelter:**

Applicant: El Camino Homeless Organization

Amount Requested: \$22,836

Activity Description: Operating a homeless shelter for individuals and families in northern San Luis Obispo County.

Number of beneficiaries: 422 persons in northern San Luis Obispo County.

**Administration and Capacity-Building**

3. **CDBG Program Administration.**

Applicant: ..... City of Paso Robles

Amount Requested: ..... \$15,000

Activity Description: ..... Administer the CDBG program and all of the activities that are approved.

CDBG Eligibility: Program Administration (24 CFR 570.206)

National Objective: ..... Low and Moderate Income Benefit; Blight Elimination

Explanation ..... Administration and Capacity Building (24 CFR 570.208(d)(4)): This section provides that administrative and capacity building activities are considered to address National Objectives.

4. **Capacity-Building:**

Applicant: ..... City of Paso Robles

Amount Requested: ..... \$15,000

Activity Description: ..... City staff time to implement programs identified in the City’s Housing Element of the General 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 Eligibility: ..... Capacity Building Activities (24 CFR 570.205)

National Objective: ..... Low and Moderate Income Benefit

Explanation..... Administration and Capacity Building (24 CFR 570.208(d)(4)): This section provides that administrative and capacity building activities are considered to address National Objectives.

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

**SECTION 2.** If, after the adoption of this resolution, the City learns that the amount of 2014 CDBG funds varies from the \$152,240 as expected, the additional or reduced CDBG funds shall be allocated as follows:

- A. If the amount of change (addition or reduction) is within twenty percent (20%) of the expected allocation of \$152,240, the City Manager may administratively direct that the amounts to be allocated to the 20 activities listed in Section 4 of this resolution may be revised in a proportionate manner and subject to conformance with federal regulations for allocating CDBG Funds set forth in 24 CFR Part 570.
- B. If the amount of change (addition or reduction) is greater than twenty percent (20%) of the expected allocation of \$152,240, the City Council shall conduct a subsequent public hearing, to be noticed in accordance with federal regulations governing the Consolidated Plan set forth in 24 CFR Part 91 to allocate any additional funds or to distribute any reduction.

PASSED AND ADOPTED by the City Council of the City of Paso Robles this 4<sup>th</sup> day of February 2014 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

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Duane Picanco, Mayor

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Caryn Jackson, Deputy City Clerk

## Attachment 2

### CITY OF PASO ROBLES: 2014 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	Replace damaged sidewalks in Turtle Creek Park	\$88,000
2	City of Paso Robles	Install/replace handicapped ramps at various locations City-wide	\$10,000
	<b>Total Requested</b>		<b>\$98,000</b>
	<b>Total Available</b>		<b>\$98,956 *</b>

\* Assumes that \$22,836 is used for Category B.

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

#	Applicant	Program/Project	Amount Requested
3	Community Action Partnership of SLO County (CAPSLO)	Senior Day Care Program	\$10,000
4	Senior Nutrition of SLO County	Senior Nutrition Program	\$15,000
5	Lifestyles Recovery Center	Group Counseling	\$3,000
6	El Camino Homeless Org.	Homeless shelter operating costs and motel vouchers	\$24,000
	<b>Total Requested</b>		<b>\$52,000</b>
	<b>Total Available</b>		<b>\$22,836</b>

**C. Administration and Capacity-Building**

#	Applicant	Program/Project	Amount Requested
7	City of Paso Robles	Capacity-Building Program: activities to implement Housing Element Programs	\$15,000
8	City of Paso Robles	Administration of City's CDBG Program and all CDBG-funded activities	\$15,000
	<b>Total Requested</b>		<b>\$30,000</b>
	<b>Total Available</b>		<b>\$30,000</b>



## Attachment 2

### CITY OF PASO ROBLES: 2014 CDBG APPLICATIONS

#### Estimated Revenues

2013 HUD Entitlement	152,240	Amount expected to be allocated to the City from HUD
Re-Programmed CDBG	0	
Total	152,240	

#### Expenditure Summary

A. Low Income Benefit- non public service	99,404	Must be at least 70% of \$152,240 (this amount calculated after deducting \$30,448 in administrative funds and \$22,836 in public service funds).
B. Blight Elimination	0	May not exceed 30% of \$167,775 (assuming \$33,000 spent on administrative funds).
C. Low Income Benefit - public service	22,836	May not exceed 15% of \$109,609 (this amount calculated before deducting administrative funds).
D. Administration & Capacity-Building	30,000	May not exceed 20% of \$152,240
Total	152,240	

NARRATIVE SUMMARY OF 2014 CDBG APPLICATIONS

**Public Facilities**

1. **Turtle Creek Sidewalks:**

Applicant: ..... City of Paso Robles

Amount Requested:..... \$88,000

Activity Description: This component consists of removing the existing asphalt sidewalk and replacing it with a Portland Cement Concrete sidewalk. The estimated length of the sidewalk is 2,000 linear feet. Minor grading may be necessary to prepare the base and remove tree roots. The project also includes installation of new handicapped ramps and replacement of non-compliant ramps.

CDBG Eligibility: Public Facility (24 CFR 570.201(c))

National Objective: ..... Low and Moderate Income Benefit

Explanation..... (1) Area-wide basis (24 CFR 570.208(a)(1)): Turtle Creek Park and Scott Street are located in the heart of Block Group 1 of Census Tract 102.02 , and more than 51% of the households in this block group are of low or moderate income; (2) Limited-clientele basis (24 CFR 570.208(a)(2)): Handicapped ramps serve the physically-disabled, which are considered to be a group that is principally of low and moderate income.

2. **Handicapped Ramps:**

Applicant: ..... City of Paso Robles

Amount Requested:..... \$10,000

Activity Description: The project consists of installing handicapped ramps in locations where they do not exist and replacing existing handicapped ramps that do not comply with standards consistent with the Americans with Disabilities Act (ADA). This project will address "removal of architectural barriers" and benefit the physically disabled, a class of people regarded to be principally low income. These can be provided anywhere in the City.

CDBG Eligibility: Public Facility (24 CFR 570.201(c))

National Objective: ..... Low and Moderate Income Benefit

Explanation..... Limited Clientele basis (24 CFR 570.208(a)(2)): Handicapped ramps serve the physically-disabled, which are considered to be a group that is principally of low and moderate income.

**Public Services**

*Public Services to low income persons are eligible for CDBG funding under Section 24 CFR 570.201(e). The national objective achieved is benefit to low and moderate income persons in accordance with 24 CFR 570.208(a)(2). Recipients must demonstrate that 51% or more of their clients qualify as low and moderate income persons.*

3. **Senior Day Care Program:**

Applicant: ..... Community Action Partnership of San Luis Obispo County (CAPSLO)

Amount Requested:..... \$10,000

Activity Description: ..... Operating expenses for a county-wide senior day care program.

Number of beneficiaries:.... 145 persons county-wide.

This is a new program for 2014.

4. **Senior Nutrition Program:**

Applicant: ..... Senior Nutrition Program of San Luis Obispo County

Amount Requested:..... \$10,000

Activity Description: ..... Operating expenses for a County-wide program to provide hot meals to seniors

Number of beneficiaries: . 1532 persons county-wide.

The City has supported this program since 2001 and most recently allocated with a grant of \$1,250.

5. **Drug/Alcohol Counseling for Youth and Adults:**

Applicant: ..... Lifestyles Recovery Center

Amount Requested:..... \$3,000

Activity Description: ..... Operating expenses for a drug and alcohol counseling services for low income adults and youth in the Paso Robles area.

Number of beneficiaries:.... 300 persons (per month) in Paso Robles.

The City has supported this program since 2002 and most recently allocated \$1,450 in 2012.

6. **Emergency Shelter:**

Applicant: ..... El Camino Homeless Organization (ECHO)

Amount Requested:..... \$24,000

Activity Description: ..... Operating expenses for an emergency shelter located in Atascadero that serves the North County.

Number of beneficiaries:.... 375 persons in North County.

The City has supported this program continuously since 2005 and allocated \$25,166 in 2013.

**Administration and Capacity-Building**

7. **CDBG Program Administration.**

Applicant: ..... City of Paso Robles

Amount Requested:..... \$16,500

Activity Description: ..... Administer the CDBG program and all of the activities that are approved.

CDBG Eligibility: ..... Program Administration (24 CFR 570.206)

National Objective: ..... Low and Moderate Income Benefit; Blight Elimination

Explanation..... Administration and Capacity Building (24 CFR 570.208(d)(4)): This section provides that administrative and capacity building activities are considered to address National Objectives.

8. **Capacity-Building:**

Applicant: ..... City of Paso Robles

Amount Requested:..... \$16,500

Activity Description: ..... City staff time to implement programs identified in the City's Housing Element of the General 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 Eligibility:..... Capacity Building Activities (24 CFR 570.205)

National Objective: ..... Low and Moderate Income Benefit

Explanation..... Administration and Capacity Building (24 CFR 570.208(d)(4)): This section provides that admin. and capacity building activities are considered to address National Objectives.

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

# THE Newspaper of the Central Coast TRIBUNE

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In The Superior Court of The State of California  
In and for the County of San Luis Obispo  
AFFIDAVIT OF PUBLICATION

AD # 7041112  
CITY OF PASO ROBLES

STATE OF CALIFORNIA

SS.

County of San Luis Obispo

I am a citizen of the United States and a resident of the County aforesaid; I am over the age of eighteen and not interested in the above entitled matter; I am now, and at all times embraced in the publication herein mentioned was, the principal clerk of the printers and publishers of THE TRIBUNE, a newspaper of general Circulation, printed and published daily at the City of San Luis Obispo in the above named county and state; that notice at which the annexed clippings is a true copy, was published in the above-named newspaper and not in any supplement thereof – on the following dates to wit; JANUARY 10, 2014, that said newspaper was duly and regularly ascertained and established a newspaper of general circulation by Decree entered in the Superior Court of San Luis Obispo County, State of California, on June 9, 1952, Case #19139 under the Government Code of the State of California.

I certify (or declare) under the penalty of perjury that the foregoing is true and correct.

  
(Signature of Principal Clerk)

DATED: JANUARY 10, 2014  
AD COST: \$113.02

CITY OF EL PASO DE ROBLES  
NOTICE OF PUBLIC HEARING

2014 Consolidated Plan

NOTICE IS HEREBY GIVEN that the City Council of the City of El Paso de Robles will hold a Public Hearing on the Draft 2014 Annual Action Plan for Federal Community Development Block Grant (CDBG), Home Investment Partnership (HOME), and Emergency Solutions Grant (ESG) Programs. The Annual Action Plan is a component of the 5 year Consolidated Plan for these funding programs. The City Council will be deciding which applications for the City's share of 2014 CDBG funds, which is estimated to be \$152,240, will be approved and will be making a recommendation to the County Board of Supervisors regarding the proposed expenditures of 2014 HOME, and ESG Funds.

This hearing will take place in the Conference Room at the Paso Robles Library/ City Hall, 1000 Spring Street, Paso Robles, California, on Tuesday, February 4, 2014, at the hour of 7:30 pm.

**All interested parties may appear and be heard at the above hearing.**

Copies of the staff report with the proposed funding are available at Paso Robles City Hall, 1000 Spring Street, Paso Robles, and will be posted on the City's web site: [www.prcity.com](http://www.prcity.com) one week prior to the hearing. Copies of the staff report may be purchased at City Hall for the cost of reproduction.

Comments on the Draft 2014 Annual Action Plan may be mailed to the Community Development Department, 1000 Spring Street, Paso Robles, CA 93446 or e-mailed to [planning@prcity.com](mailto:planning@prcity.com) provided that such comments are received prior to the time of the hearing.

If you have questions about this matter, you may call Darren Nash, Associate Planner, at (805) 237-3970 or send email to [dnash@prcity.com](mailto:dnash@prcity.com).

Darren Nash, Associate Planner  
January 10, 2014

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RECEIVED

JAN 13 2014

City of Paso Robles  
Community Development Dept.