

TO: JAMES L. APP, CITY MANAGER
FROM: ED GALLAGHER, COMMUNITY DEVELOPMENT DIRECTOR
SUBJECT: 2015 COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM
DATE: NOVEMBER 18, 2014

Needs: For the City Council to (a) decide which applications for the City's 2015 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 2015 CDBG Fund allocations.

- Facts:
1. October 15, 2014 was the deadline for submittal of applications for 2015 CDBG funds. As of that date, the City received 8 applications (including applications from the City for "capacity-building" and administrative use of CDBG funds). The total amount of funding requested for the 8 applications comes to \$196,817.
 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 2015 CDBG funds to be distributed to recipients until Spring 2015. The City was allocated \$165,079 in 2014 and, based on information from HUD, assumes that it will be entitled \$164,795, which is close to the 2014 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 2014 or early January 2015, 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 2015.
 7. It is proposed that, at its meeting of November 18, 2014, 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 2015. At that hearing, the Council may consider any of the applications filed by October 15, 2014, 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 \$164,795 is available to be divided among the proposed activities, as shown below:

\$	107,117	for low income benefit – non-public service projects
\$	24,719	maximum for low income benefit – public service programs
\$	<u>32,959</u>	maximum for administration and capacity-building
\$	164,795	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), and installation of public facilities and improvements when the primary beneficiaries of the project are of low-income.

Public Service Applications

Public services are those activities in which non-profit organizations provide services to low income clients. The City has received 4 applications for such services that collectively total \$54,500. The City estimates that it can allocate a maximum of \$24,719 for public services in 2015. 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 \$8,000. With this constraint, the City will have the following options for public service grants:

- a. Make grants of a minimum of \$8,000 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 \$8,000 (e.g. 4 jurisdictions grant \$2,000 to an organization);
- c. Some combination of options (a" and "b") so that each grantee receives no less than \$8,000;
- 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 four public service organizations requesting 2015 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 \$2,000 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.
- (4) **El Camino Homeless Org.:** This program is requesting \$27,500 for their homeless shelter operating costs and motel vouchers.

Administration and Capacity Building

Requesting \$32,000 in 2015 CDBG Funds (\$5,600 for each City activity, and 20,800 for County Administration purposes).

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.

For many years it has been the City's practice to allocate a little less than the full 20 percent allowed for Administrative and Capacity Building activities, by rounding down to the nearest \$1,000 below the actual 20 percent figure. For 2015, this rounded-down amount is \$32,000.

As part of the Cooperation Agreement for executed with the County in 2014, the City has agreed to allocate 65 percent of the 20 percent for Administration to the County for its administrative activities that directly benefit the City. Therefore, of the \$32,000 proposed to be allocated for administrative purposes, \$20,800 would be allocated to the County and the remaining \$11,200 would be used by the City, evenly allocating \$5,600 to Administrative and Capacity Building activities.

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:

- Constructing new handicapped ramps and replacing non-ADA-compliant ramps on Vine Street between 16th and 17th Streets;

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:

Handicapped Ramps	\$ 108,076
Public Services Activities	\$ 24,719
Administration & Capacity Building	\$ 32,000
	\$ 164,795

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 2015.

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 3 (regular Council meeting);
- b. Tuesday, February 17 (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

Handicapped Ramps	\$ 108,076
Public Services Activities	\$ 24,719
Administration & Capacity Building	<u>\$ 32,000</u>
	\$ 164,795

- (2) Set Tuesday, February 3, 2014, the regular Council meeting as the date for the public hearing for 2015 CDBG allocations.

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

Prepared by: Darren Nash, Associate Planner

Attachment: Table Summary of the Applications for 2015 CDBG Funds

Attachment 1

CITY OF PASO ROBLES: 2015 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	Install/replace handicapped ramps Vine St. 16 th & 17 th St.	\$110,317
	Total Requested		\$110,317
	Total Available		\$108,076 *

* Assumes that \$24,719 is used for Category B and 32,000 for Category C.

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

#	Applicant	Program/Project	Amount Requested
2	Community Action Partnership of SLO County (CAPSLO)	Senior Day Care Program	\$10,000
3	Senior Nutrition of SLO County	Senior Nutrition Program	\$15,000
4	Lifestyles Recovery Center	Group Counseling	\$2,000
5	El Camino Homeless Org.	Homeless shelter operating costs and motel vouchers	\$27,500
	Total Requested		\$54,500
	Total Available		\$24,719

C. Administration and Capacity-Building

#	Applicant	Program/Project	Amount Requested
6	City of Paso Robles	Capacity-Building Program: activities to implement Housing Element Programs	\$16,000
7	City of Paso Robles	Administration of City's CDBG Program and all CDBG-funded activities	\$16,000
	Total Requested		\$32,000
	Total Available		\$32,959

Funds used for administrative purposes is up to 20 percent of the grant amount, which equates to \$32,000 (rounded down as explained in the staff report). When taking in consideration the 13-percent that the City will forward to the County for administrative purposes, 7-percent or \$11,200 is left for the City for administrative purposes.

Estimated Revenues

2015 HUD Entitlement	164,795	Amount expected to be allocated to the City from HUD
Re-Programmed CDBG	0	
Total	164,795	

Expenditure Summary

A. Low Income Benefit- non public service	108,026	Must be at least 70% of \$164,795 (this amount calculated after deducting \$32,959 in administrative funds and \$24,719 in public service funds).
B. Blight Elimination	0	May not exceed 30% of \$164,795 (assuming \$33,000 spent on administrative funds).
C. Low Income Benefit - public service	24,719	May not exceed 15% of \$164,795 (this amount calculated before deducting administrative funds).
D. Administration & Capacity-Building	32,000	May not exceed 20% of \$164,795
Total	164,795	