



City of San Leandro

Meeting Date: April 3, 2017

Staff Report

File Number: 17-150

Agenda Section: PUBLIC HEARINGS

Agenda Number: 5.A.

TO: City Council

FROM: Chris Zapata
City Manager

BY: Cynthia Battenberg
Community Development Director

FINANCE REVIEW: David Baum
Finance Director

TITLE: Staff Report for the City of San Leandro U.S. Department of Housing and Urban Development (HUD) Draft FY 2017-2018 Annual Action Plan

RECOMMENDATIONS

Staff recommends the City Council hold a public hearing, publish the Draft FY 2017-2018 Annual Action Plan for a 30-day comment period (April 6th - May 5th, 2017), and set a public hearing for May 1, 2017 to consider final approval of the FY 2017-2018 Annual Action Plan.

BACKGROUND

The FY 2015-2019 Five-Year Housing and Community Development Strategic Plan (Consolidated Plan) identifies the housing and community development needs in San Leandro and outlines the strategies for meeting those needs. The Draft FY 2017-2018 Annual Action Plan (Annual Action Plan) represents the third year of the Consolidated Plan and implements the strategies through Community Development Block Grant (CDBG) and Home Investment Partnership (HOME) funds, distributed and audited by the U.S. Department of Housing and Urban Development (HUD).

As a CDBG entitlement grantee, the City receives CDBG funds directly from HUD each year. In order to receive its annual CDBG grant allocation from HUD, the City must update its Consolidated Plan every five years and submit an Annual Action Plan to HUD.

The City participates in the Alameda County HOME Consortium, which is Alameda County and all Alameda County cities, except Berkeley and Oakland. The City must apply to the County to receive its annual share of HOME funding. As part of this process, the City must submit its Annual Action Plan to Alameda County. The County serves as the lead agency for the Consortium and the HOME Program and is responsible for submitting to HUD the Annual Action Plan documents on behalf of the entire Consortium.

Under the Housing and Community Development Act (from which the CDBG Program

originated) there are three major goals identified for the funds:

- Provide decent housing
- Provide a suitable living environment
- Expand economic opportunity

In addition, CDBG funds must be used to meet one of three national objectives:

- 1) Benefit low- and moderate-income persons,
- 2) Aid in the prevention of slum and blight, or
- 3) Meet an urgent need.

HOME funds must be used specifically for housing opportunities for low- and moderate-income persons.

The City's CDBG entitlement grant from HUD for FY2017-2018 is projected to be \$650,261. In addition, the City will be allocated \$157,436 in new HOME funds available for general administration and affordable housing projects as part of the Alameda County HOME Consortium. Both CDBG and HOME funding estimates assume last year's funding levels since the transition of a new Presidential administration has delayed the federal budget and HUD has not yet finalized its CDBG and HOME budgets for FY 2017-2018.

Citizen Participation Process

HUD Consolidated Plan regulations provide guidelines and requirements for the City to develop a citizen participation plan that governs the public input and noticing process for creating the consolidated plan and subsequent annual action plans. The goal of the citizen participation plan is to encourage broader public involvement in the planning and allocation of CDBG and HOME funds and implementation of related programs. A minimum of two (2) public hearings are required with at least one (1) hearing held before the Draft FY 2017-2018 Annual Action Plan is published for public comment. After tonight's public hearing, a summary of the draft Annual Action Plan will be published in the *Daily Review* newspaper. Copies of the Draft FY 2017-2018 Annual Action Plan will be available for review during normal office hours at the City Clerk's office and the City's Community Development Department, both of which are located in City Hall; at the Main Library; and on the City's website at <http://www.sanleandro.org/depts/cd/housing/plans.asp>. Assuming HUD finalizes the CDBG and HOME budgets in the next few weeks, the second public hearing will be held May 1, 2017, at which time the City Council will consider approval of the final Plan.

Analysis

The Draft FY 2017-2018 Annual Action Plan outlines the proposed activities, objectives, and budget for the upcoming fiscal year. Attachment A summarizes the FY 2017-2018 proposed activities and funding amounts. Attachment B contains the Draft FY 2017-2018 Annual Action Plan. The Annual Action Plan includes information on funding resources for housing and community development activities, a description of activities to be undertaken during FY 2017-2018, and other actions that the City will take to address issues such as barriers to affordable housing, anti-poverty strategies, and lead-based paint hazards.

The City's CDBG entitlement grant from HUD for FY 2017-2018 is projected for now to be the same as the FY 2016-2017 level of \$650,261. There is no projected CDBG program income or unallocated CDBG funds from prior years. The City is also projected to receive \$157,436 in HOME funds from the Alameda County HOME Consortium. There are no funds carried over from prior year's HOME grants because those funds were allocated to BRIDGE Housing's 85-unit Marea Alta Phase 2 affordable senior rental housing project.

All of the proposed activities' budgets will be proportionately increased or decreased from the estimated funding levels to match actual allocation amounts depending on HUD's final CDBG allocation to the City. The proposed CDBG-funded activities in the FY 2017-2018 Annual Action Plan fall into the following eligible categories: Public Services, Public Facilities, Housing Activities, and General Administration.

In accordance with HUD regulations, the City will commit no more than 15% (or \$97,539) of its annual CDBG allocation toward Public Services. The City issued a Community Assistance Grant Program (CAP) Request for Funding/Grant Applications In March 2017 to award one-year grants for FY 2017-2018 (July 1, 2017 through June 30, 2018). The Human Services Commission will make final funding recommendations at its upcoming April 2017 meeting including approval of CDBG grants for public services conditioned on CDBG grant funding being subject to change if HUD increases or decreases CDBG entitlement grant funding in FY 2017-2018. Staff is recommending the following non-profit public service providers be funded with CDBG monies in FY 2017-2018.

<u>Project Name</u>	<u>FY 17-18*</u>
CALICO	\$ 20,071
Davis Street Family Resource Center	\$ 35,731
SOS/Meals on Wheels	\$ 26,591
Spectrum Community Services	<u>\$ 15,146</u>
Total	\$ 97,539

**Projected funding allocations are subject to change based on the City's actual CDBG allocation for FY17-18*

The City's proposed biennial budget for FY 2017-2019 also includes \$150,000 in General Funds as part of the Community Investment Fund to supplement CDBG funding for public service providers.

For Public Facilities, the City must allocate \$194,585 to HUD for principal/interest payments for the City's outstanding \$2.5 million HUD Section 108 loan, which helped finance construction of the City's new Senior Community Center. In addition, staff proposes allocating \$128,085 to continue implementing the City's 2010 Updated ADA Transition Plan by funding the completion of architectural modifications designed to make City facilities (including the Main Library, Marina Community Center, City Hall, City Hall South Offices, Police Department, Washington Manor Library, and Marina Park) more accessible to persons with disabilities.

For Housing Activities, staff recommends providing \$100,000 of CDBG funds to continue funding the City's Single-Family Housing Rehabilitation Grant Program, which provides minor repair grants to extremely low- and very-low income San Leandro homeowners.

Administrative funding for FY 2017-2018 is \$130,052, which conforms to the HUD-regulated 20% spending cap on general administration costs and expenses. Staff recommends allocating \$120,052 to City staffing for CDBG program administration. \$10,000 in CDBG funds will also be allocated to ECHO Housing's Fair Housing services. Fair Housing is federally mandated, and ECHO Housing assists the City in meeting HUD requirements to advance fair housing.

The City uses HOME funds for the acquisition, rehabilitation, and new construction of affordable rental housing as well as tenant-based rental assistance to serve lower income households in need. The City's HOME allocation for FY17-18, as well as for the next two fiscal years (FY18-19 and FY19-20), will be used to repay the County's regional HOME competitive funding pool, of which BRIDGE Housing received approximately \$566,000 in 2012 for the construction of the 115-unit Marea Alta Phase 1 development. Under the County HOME Consortium's rules, affordable housing projects within each local jurisdiction may tap into HOME funds from the applicable local jurisdiction's pro-rated annual share, and may also apply for monies from the County-administered regional fund pool. However, local jurisdictions must repay the County's regional pool if their affordable housing projects receive funding from it. In the case of Marea Alta Phase 1, the City Council approved \$650,000 in 2012 from the City's annual HOME allocation allotment and BRIDGE Housing then applied for and received County approval for the approximately \$566,000 from the competitive regional pool.

Current Agency Policies

Current City Council Policy is defined by the FY 2015-2019 Consolidated Plan, adopted by Resolution No. 2015-080 on April 20, 2015.

Applicable General Plan Policies

The Consolidated Plan addresses the goals of the General Plan Housing Element, such as increasing the supply of affordable for-sale and rental housing, providing opportunities for home ownership, preserving and rehabilitating existing affordable owner-occupied and rental housing, and addressing special needs populations.

Environmental Review

National Environmental Protection Act (NEPA) and California Environmental Quality Act (CEQA), the latter when applicable, review will be conducted for each project or activity approved by the City Council. Neither NEPA nor CEQA apply to the review and approval of the FY 2017-2018 Annual Action Plan, because there is no foreseeable effect on the environment.

Summary of Public Outreach Efforts

Staff published a notice of the public hearing (with partial translations in Chinese and Spanish) in the *Daily Review* newspaper on March 17, 2017. Copies of the Draft FY 2017-2018 Annual Action Plan will be available for review at City Hall (in the City Clerk's office and the City's Community Development Department), at the Main Library, and on the City's

website at <http://www.sanleandro.org/depts/cd/housing/plans.asp> for a 30-day comment period from April 6th - May 5th 2017. The second public hearing will be held May 1, 2017, at which time the City Council will consider approving the final Plan.

Fiscal Impacts

HUD will enter into contract with the City for the annual CDBG entitlement grant amount once HUD has finalized it. The grant is on a reimbursement basis; this means funds are reimbursed by HUD after expenditure by the City for activities designated in the Annual Action Plan.

Budget Authority

Budget authority for CDBG funds is derived from Title I of the Housing and Community Development Act of 1974 (24 CFR 570 et seq.). Budget Authority for HOME funds is derived from the Federal Home Investment Partnerships (HOME) Program (under Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended).

ATTACHMENTS

- Attachment A--Summary of the FY 2017-2018 proposed activities and funding amounts
- Attachment B--Draft FY 2017-2018 Annual Action Plan (for CDBG and HOME Funds)

PREPARED BY: Steve Hernandez, Housing Specialist II, Community Development Department