



**MEMORANDUM**

Community Development Department

**DATE:** March 5, 2020

**TO:** Human Relations Commission

**FROM:** Orlando Reyes-Rodas, Senior Planner  
Tim Wong, Housing and Neighborhood Services Manager

**SUBJECT:** **Recommendations for Fiscal Year 2020-21 Community Development Block Grant (CDBG) and Home Investment Partnership (HOME) Capital Project Funding Requests**

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**REQUESTED ACTION**

1. Hear presentations from the agencies requesting Fiscal Year 2020-21 Community Development Block Grant (CDBG) and Home Investment Partnership (HOME) capital project funding.
2. Make funding recommendations to the City Council for the Fiscal Year 2020-21 CDBG and HOME capital project funding requests summarized below and in Table 2.
  - Acquisition and Preservation of 660 Mariposa Avenue—\$980,000 requested by Bridge Housing Corporation, a nonprofit affordable housing developer, to acquire the multi-unit family property that consists of 5 studios, 21 one-bedrooms, 21 two-bedrooms, and 1 manager’s unit. Following the acquisition, Bridge Housing would preserve affordability and extend the building use-of-life with an extensive rehabilitation of the property, which includes interior, exterior, and structural upgrades. (CDBG) (HOME)
  - Mora/Ortega Park (Capital Improvement Project 17-46)—\$750,000 is requested by the City of Mountain View Public Works Department in order to develop a 0.45-acre neighborhood park on the parcel located at the corner of Ortega Avenue at Mora Drive. The park would include the following amenities: a lawn and play area, a loop trail with pathways leading through orchard groves, and an area with fitness equipment, picnic tables, and benches. One accessible parking stall will be added along the street frontage on Ortega Avenue. (CDBG)

- Graduate House Repairs and Rehabilitation – \$12,000 additional requested by LifeMoves, a nonprofit entity, for the purpose of added prevailing wage costs for the interior rehabilitation (new windows, rehab of kitchen) of a long-term transitional single-family home used to house 7 to 10 individuals who have been homeless, including formerly chronically homeless individuals. The original funding awarded, but not disbursed, is \$58,000 in Program Year 2018. The additional \$12,000 needed is to meet the added costs as a result of a recent prevailing wage determination by the U.S. Department of Housing and Urban Development (HUD) for this project. (CDBG) (HOME)

## **BACKGROUND**

### **Public Hearings for the CDBG/HOME Funding Cycle**

Every year, the City receives and allocates Federal CDBG and HOME funds from HUD. The City allocates its CDBG and HOME funds to implement affordable housing and community development projects and to fund public service programs and other eligible activities that benefit low-income persons and areas.

To use the CDBG and HOME funds, the City must facilitate an application process and hold a minimum of two public hearings to approve use of the funds. To initiate the funding cycle, the City circulates an application announcement to public service agencies, affordable housing developers, and other groups. The Human Relations Commission (HRC) is holding the first public hearing to consider the funding applicants' presentations and then make funding recommendations to the City Council. The City Council will hold the second public hearing on April 28, 2020 to make its final funding decisions.

For Fiscal Year 2020-21, HUD will allocate to the City \$592,761 in CDBG funding and \$273,160 in HOME funding. This amount does not include approximately \$310,000 in program income from Fiscal Year 2019-20 and Fiscal Year 2020-21 and \$435,000 in reprogrammed funds for Fiscal Year 2020-21.

For reference, capital project applications are considered annually, while public service programs are funded on a two-year cycle. Public service agencies funded in Fiscal Year 2019-20 will continue to receive funding through Fiscal Year 2020-21 for the balance of the available amount originally requested.

## **The Annual Action Plan**

After the HRC recommendation hearing, the City will prepare and circulate a draft of its annual application to HUD. This application is called an Annual Action Plan, and it contains the programs the City will fund and the CDBG and HOME budget for Fiscal Year 2020-21. The Annual Action Plan will be available for public review and comment from March 13, 2020 to April 14, 2020. The Action Plan can be amended based on the Council's final funding decisions and submitted to HUD by the May 15, 2020 deadline.

## **Program and Project Monitoring**

The CDBG and HOME programs are governed by complex rules and regulations requiring City compliance in order to receive and distribute the funding.

Jurisdictions receiving CDBG and HOME funds must carefully monitor the performance of the funded organizations, to document compliance with HUD's fiscal- and program-related guidelines. Monitoring consists of site visits and an audit review that includes inspection of program and project files for active and completed activities.

Cities must also prepare an annual performance report called a Consolidated Annual Performance and Evaluation Report (CAPER) after the end of every fiscal year. The report is due to HUD by September 30, 2020 and contains the number of clients served, units produced, and other program and project outcomes, along with a summary of service delivery costs. The City annually collects this information from the funded agencies to ensure that the funds are used for the intended purposes stated in the funding applications.

## **ANALYSIS**

### **2020-21 CDBG/HOME Funding**

When factoring in the HUD allocation, program income (loan repayments from completed capital projects) and unused funds from completed projects (carryovers), the City estimates it will have around \$1,339,833 in CDBG funds and \$763,160 in HOME funds available in Fiscal Year 2020-21, as shown in Table 1.

**Table 1: Estimated CDBG Funding for Fiscal Year 2020-21**

<b>Estimated Sources of CDBG Funds</b>	<b>CDBG</b>	<b>HOME</b>
Allocation from HUD	\$592,761	\$273,160
Program Income	\$312,072	\$253,000
Carryover	\$435,000	\$237,000
<b>Total</b>	<b>\$1,339,833</b>	<b>\$763,160</b>
<b>Estimated Uses of CDBG Funds</b>		
Administration	\$118,552	\$27,316
Public Services	\$88,914	N/A
Capital Projects	\$1,132,367	\$735,844
<b>Total</b>	<b>\$1,339,833</b>	<b>\$763,160</b>

For eligible administration and planning costs, the City reserves the maximum federally allowable, 20 percent (approximately \$118,000) of the CDBG allocation and 10 percent of the HOME allocation (approximately \$27,000).

For cost activities related to public services (including, but not limited to, job training and employment services, health care and substance abuse services, child care, crime prevention, and fair housing counseling), the City reserves the maximum Federally allowable 15 percent (approximately \$88,000) from the CDBG allocation.

**Fiscal Year 2020-21 Capital Project Requests**

Using the current estimates, around \$1,132,366 in CDBG funds and \$735,844 in HOME funds could be allocated to capital projects. There are three capital funding requests to consider as shown in Table 2. Of the three applicants, one can be considered for HOME funding. The funding applications are provided in Attachments 1 through 3.

**Table 2: 2020-21 Capital Project Funding Requests**

Sponsor	Project	Fund Request	Staff Recommendation	CDBG Funding Requested	HOME Funding Requested
660 Mariposa Apartments Acquisition Funds	Bridge Housing is proposing to acquire and deed-restrict a 48-unit apartment building at 660 Mariposa Avenue.	\$980,000	\$980,000	\$244,156	\$735,844
Mora/Ortega Park	Development of a neighborhood park (CIP 17-46 project) on a 0.45-acre site on Ortega Avenue at Mora Drive.	\$750,000	\$750,000	\$750,000	
Graduate House Repairs	The proposed project would involve refurbishing the kitchen as well as installing new T-24-compliant windows in a building that has experienced substantial wear and tear over the years. The additional \$12,000 is needed due to increase in costs as a result of Prevailing Wage determination by HUD.	\$12,000	\$12,000	\$12,000	N/A
<b>Total Amount of Funds Requested</b>				<b>\$1,006,156</b>	<b>\$735,844</b>
<b>Estimated Amount of Funds Available</b>				\$1,132,367	\$735,844

Below are project summaries, followed by considerations the HRC may find helpful for evaluating the CDBG and HOME capital project funding requests.

Project Summaries

**Acquisition of 660 Mariposa Avenue Apartments**

Bridge Housing is requesting \$980,000 in CDBG proceeds to acquire an existing 48-unit apartment building located at 660 Mariposa Avenue in Mountain View, California, for the purpose of keeping families in place and creating permanent affordable housing for

low-income families. CDBG proceeds requested are 7.8 percent of the total cost of acquisition of \$12,477,936.

The total acquisition cost assumes a property valuation of \$22 million that is offset by the \$10,900,000 price reduction provided by the current owner, an affiliate of Prometheus. The price reduction was a negotiated price between Prometheus and Bridge Housing to deed-restrict and preserve Mariposa Apartments while satisfying the inclusionary obligations that were approved by the City Council as part of their alternative mitigation to the Below-Market-Rate requirements at Villa Street.

Bridge Housing has exercised an option to purchase the project with the current property owner. The closing date for acquisition is currently May 26, 2020, but an extension is being negotiated with the current owner to accommodate CDBG award timelines.

Once the property is acquired, Bridge Housing would manage the property with its integrated property management company, BRIDGE Property Management Company (BPMC). The plan is to complete an extensive rehabilitation of the property by temporarily relocating existing tenants either on-site, or off-site. The proposed scope of work would include interior upgrades, exterior finishes, and structural upgrades. The tentative rehabilitation schedule is to start construction in August 1, 2020 and complete by May 1, 2021.

The apartment consists of 5 studios, 21 one-bedrooms, 21 two-bedrooms, and 1 manager's unit. The intent is to deed-restrict the apartments to less than 80 percent of the Average Median Income. It is anticipated that 170 total clients of extremely low-, very low-, and low-income will benefit from the preservation of this property.

An election to not fund the acquisition would result in the risk of this property becoming a market-rate property and displacing the families that currently reside there. An election to fund less than the requested would result in Bridge Housing having to seek other funding sources that can meet the financing gap created by the reduction in CDBG proceeds.

Both CDBG and HOME funding is recommended in order to meet the project financing need.

### **Development of Mora/Ortega Neighborhood Park**

The City of Mountain View Public Works Department is requesting \$750,000 for the purpose of developing Mora/Ortega Park, a 0.45-acre neighborhood park located at the corner of Ortega Avenue at Mora Drive. The neighborhood park will include the following amenities: lawn and play area, trail loop, fitness equipment, picnic tables, and benches. The proposed park is surrounded by residential uses on all sides. The project meets the City's goal to improve community and public facilities. The new park will also support the City's goal of providing 3.0 acres of open space per 1,000 residents.

CDBG funding is recommended in order to meet the project financing need.

### **Graduate House Repairs**

LifeMoves, a California nonprofit benefit corporation, is requesting an additional \$12,000 for the purpose of rehabilitating the Graduate House, an existing single-family home with six bedrooms that is being used as a shelter for the homeless.

LifeMoves' mission is to provide interim housing and supportive services to create opportunities for homeless families and individuals to rapidly return to stable housing and long-term self-sufficiency. The scope of rehabilitation work includes new lighting and renovating the kitchen with items such as new cabinets, countertops, and updated appliances. The applicant previously received \$58,000 from the 2018 CDBG allocation. The project had a challenging time in calendar year 2019 finding a qualified and available general contractor to do this small job, as there is a shortage of available contractors. The additional funds requested are to meet the prevailing wage rate determination recently made by HUD on this project.

CDBG funding is recommended in order to meet the project financing need.

### **Key Considerations for the CDBG and HOME Projects**

Funding proposals are evaluated based on their consistency with the City's Consolidated Plan and on assessment factors (refer to Attachment 4). The Consolidated Plan is a five-year planning document that identifies housing and community development needs, analyzes existing Federal resources, and establishes strategies and priorities for addressing the identified needs.

Because this funding will be in the first year of the City's 2020-25 Consolidated Plan, staff is using the draft 2020-25 goals to evaluate the submitted applications. The Draft

2020-25 Consolidated Plan identifies the following goals for use of Federal funds to benefit low-income persons and areas:

- Establish homeless prevention services and programs.
- Respond to lack of housing for homeless.
- Increase affordable housing.
- Provide programs for youth and families.
- Support special-needs populations.
- Create sustainable jobs and increase earning capacity.
- Improve community and public facilities.
- Address and promote fair housing.
- Planning and grant administration.

The following assessment factors are considered to help in the recommendations for funding allocations.

Key assessment factors include:

- Need for project: Does the project address the most urgent needs of lower-income residents? Will the project address the needs of lower-income residents as identified in the City's Consolidated Plan?
- Number and percentage of low-income Mountain View residents served: How many Mountain View residents would be served by the project? Are at least 51 percent of the Mountain View residents served low-income as required by Federal regulations?
- Project Schedule: Is there a realistic schedule indicating when funds will be needed, when the project is to be implemented, and when it will be completed? Does the project provide for the expeditious expenditure of funds?
- Leveraging of funds: Does the agency have any other funds or funding commitments to assist in financing the project?



*Considerations for the CDBG Projects*

- By April 30 of every year, CDBG jurisdictions must not be holding more than 1.5 times the annual grant for that year. Funding all three activities would enable the City to spend the funds in a timely manner and meet the annual CDBG expenditure requirement.

*Considerations for the HOME Project*

- HOME funds must be committed (placed under agreement) within a two-year period or HUD reclaims them and issues a negative finding to the associated jurisdiction. Use of the funds in larger development or rehabilitation projects, such as the proposed new units at Mariposa Apartments, helps the City meet this requirement.
- The HOME funds are restricted to affordable housing activities and accompanied by very detailed monitoring and reporting requirements. For these reasons, it cannot be used for the Mora Park construction or the Graduate House rehabilitation. HOME funds must be committed (placed under agreement) within a two-year period and 15 percent of the funds must be reserved to a “Community Housing Development Organization” (CHDO)—an organization that develops affordable housing.

**STAFF RECOMMENDATIONS**

This fiscal period, there is sufficient funding to consider all applicant-requested amounts.

**Recommendations:**

- **Fund \$980,000 total to Bridge Housing for acquisition of an existing multi-family apartment complex located at 660 Mariposa Avenue.** Funding will enable Bridge Housing to acquire the existing apartment complex and create deed-restricted affordable housing, thereby helping existing families remain, which could otherwise potentially be displaced if preservation of this property is lost to a market-rate developer. Once Bridge acquires the property, it plans to complete an extensive rehabilitation of the property, further extending the useful life of this apartment complex.

- **Fund \$750,000 total to the City of Mountain View Public Works Department for the purpose of developing Mora/Ortega Park a 0.45-acre neighborhood park located at the corner of Ortega Avenue at Mora Drive.** The neighborhood park will include the following amenities: lawn and play area, trail loop, fitness equipment, picnic tables, and benches. The project will serve a low-moderate census block group denoted as Tract 509404 Census Block Group 2-4 in the HUD map's ArcGIS system. The proposed park is surrounded by residential uses on all sides. The project meets the City's goal to improve community and public facilities. The new park will also support the City's goal of providing 3.0 acres of open space per 1,000 residents.
- **Fund an additional \$12,000 to LifeMoves, a California nonprofit benefit corporation, for the purpose of rehabilitating the Graduate House,** an existing single-family home with six bedrooms that is being used as a shelter for the homeless. LifeMoves' mission is to provide interim housing and supportive services to create opportunities for homeless families and individuals to rapidly return to stable housing and long-term self-sufficiency. The proposed scope of work includes new lighting and renovating the kitchen with items such as new cabinets, countertops, and updated appliances.

## CONCLUSION

The HRC will make capital project funding recommendations for Fiscal Year 2020-21 on March 5, 2020. The HRC's recommendations will be presented to the City Council on April 28, 2020, which will make final funding decisions. The City Council's funding decisions will then be incorporated into the City's annual Action Plan that will be submitted to HUD prior to that agency's May 15, 2020 submittal deadline.

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- Attachments:
1. Bridge Housing Application for the acquisition of 660 Mariposa Apartments
  2. City of Mountain View Application for the Development of Mora/Ortega Neighborhood Park
  3. LifeMoves Application for additional funding of the Graduate House Repairs
  4. Assessment Factors