

DATE: October 5, 2023

TO: Human Relations Commission

FROM: Harsha Ramchandani, Housing Specialist I
Wayne Chen, Housing Director

SUBJECT: **Federal Community Development Block Grant and Home Investment Partnerships Program Updates and Recommendations for Fiscal Year 2024-25 Annual Action Plan Process**

RECOMMENDATION

That the Human Relations Commission:

1. Receive an update on items discussed during the Fiscal Year 2023-24 Annual Action Plan process.
2. Approve the staff recommendation for continuing the direct allocation method of funding capital projects for the Fiscal Year 2024-25 Annual Action Plan process.

BACKGROUND

The City of Mountain View is an “entitlement jurisdiction,” which enables the City to directly receive annual funding for the Community Development Block Grant (CDBG) and HOME Investment Partnership (HOME) programs from the Federal Department of Housing and Urban Development (HUD). The funds are allocated to public service activities and capital projects that benefit low- and moderate-income residents in Mountain View.

The Human Relations Commission (HRC) considers proposed allocations for these funds each year as part of the Annual Plan process and makes funding recommendations for public service activities and capital projects to the City Council. The City Council reviews the HRC recommendations, makes the final funding allocations, and approves the Annual Action Plan. The Council-approved Annual Action Plans are then submitted by the Federally required deadline, typically May 15 of each year.

More detailed information about the City’s Federal grants program and process is included in the March 2, 2023 memorandum (see Attachment 1).

ANALYSIS

The following provides a summary of staff updates and recommendation for HRC to receive and approve.

Update—Public Services for Fiscal Year 2024-25 Annual Action Plan

The City funds public service programs on a two-year cycle using CDBG funds. The process includes City issuance of a Notice of Funding Availability (NOFA) that outlines eligibility requirements and programmatic goals at the beginning of the two-year cycle, receiving and analyzing applications submitted by nonprofit organizations, and bringing funding recommendations for HRC and Council consideration. There is no NOFA process in the second year in the two-year cycle. Nonprofit organizations that have met service goals and reporting requirements are recommended for a second year of funding per the terms of their service agreements with the City.

Fiscal Year 2023-24 is the first year of the current two-year cycle, which funds seven public service activities meeting various Consolidated Plan goals. Additional information on the approved public service activities can be found in the March 2023 memorandum (Attachment 1). Fiscal Year 2024-25 will be the second year of the cycle, and the activities, agencies, and funding levels will continue as approved in the first year. These projects and funding levels will be included in the Fiscal Year 2024-25 Annual Action Plan and will be brought to the HRC for approval in March 2024.

Update—Public Services Funding Recommendation Process

During its March 2023 meeting, when the HRC considered funding recommendations for the Fiscal Year 2023-24 Annual Action Plan as discussed above, the HRC requested staff to provide additional information about NOFA applications in future cycles. The HRC shared initial ideas about options, such as receiving the full application or a summary with more details than what has been typically included in staff reports. Staff believes that a more detailed summary that could be included with future staff reports, such as a matrix attached to the report, would provide the HRC a good balance between highlighting the key aspects of each submittal and keeping the volume of information manageable.

However, this decision does not need to be made now because there are no public service funding recommendations to be made for Fiscal Year 2024-25 as discussed above. Staff will provide another update next year to the HRC, prior to the start of the next two-year cycle. At that time, the HRC can determine its preferred format for receiving additional information about NOFA applications.

Recommendation—Continuing Direct Allocation of CDBG and HOME Funding for Capital Projects

Over the last three years, the HRC has recommended the direct allocation of available CDBG and HOME capital funds to eligible projects instead of going through the NOFA process. As previously discussed, it has been difficult to fund capital projects through the NOFA process in recent years. This is primarily because there has been a lack of nonprofits interested in receiving Federal funds for capital projects, the City's funding allocation is relatively small for capital projects (which typically have much greater funding needs due to the size and cost of such projects), and/or the Federal funds have various program and reporting requirements that may be challenging for recipients to administer.

In its November 2022 meeting, the HRC developed additional criteria for the Federal funds and approved the principle to implement an "effective and flexible administration of funds for capital projects," which further supports the implementation of a direct allocation method when deemed necessary by staff. Under this principle, staff analyzes the best use of capital funds on an annual basis, either recommending a direct allocation to an activity with an identified need (as the City did for the Crestview Hotel conversion to housing) or issuing a NOFA to solicit potential proposals from nonprofit organizations with capital needs.

The direct allocation approach has allowed the City to provide Federal funding toward the conversion of Crestview Hotel at 901 East El Camino Real into permanent affordable housing. The direct allocation of funding has been effective for the following reasons:

- Allocation of funds to an eligible project and in a more streamlined manner;
- Consolidation of CDBG and HOME funding toward a priority capital project to leverage other City funds dedicated to affordable housing; and
- Meeting Federal requirements: The allocation to Crestview enabled the City to meet Federal "timeliness" expenditure requirements for CDBG funds. In addition, staff is working with a developer familiar with Federal program requirements, which streamlines program administration.

Staff continues to recommend direct allocation of CDBG and HOME capital funds in Fiscal Year 2024-25, in particular:

- **Funding the City's affordable housing pipeline, such as Crestview Hotel.**

The biggest barrier to increasing affordable housing opportunities in Mountain View is the lack of funding. While the City has a pipeline of 12 affordable housing projects, it is

estimated that there is a \$50 million funding gap to fully finance the projects. Continued direct allocation to the pipeline will play a key role in advancing the affordable housing projects.

- **Expand the Minor Home Repair Program**

In the Fiscal Year 2023-24 funding cycle, Rebuilding Together Peninsula (RTP) was selected to implement a Minor Home Repair program for the current fiscal year, which had been paused over the last few years, in part due to the COVID-19 pandemic. During last year's Fiscal Year Annual Action Plan process, the HRC recommended and Council approved \$30,000 of CDBG capital project funding for RTP to assist low-income homeowners with minor home repairs with grants of up to \$5,000 per household. This grant amount was based on the funding thresholds before the program was paused in 2019.

Since the time RTP has resumed working with residents this fiscal year, the \$30,000 is nearly fully allocated. Additionally, RTP has shared initial feedback that, due to the scope of repairs and economic impacts of inflation and increased labor costs, the grant amount of \$5,000 is challenging.

As part of the Fiscal Year 2024-25 Annual Action Plan process, staff recommends a direct allocation of funding for RTP to continue this work next year. RTP continues to be the leading operator to serve the City for implementation of the Minor Home Repair program as well as the only operator in the County that staff is aware of that provides this program. Staff will engage with RTP and include in their analysis program need and contributions by other cities in the area toward similar programs to inform funding recommendations for Fiscal Year 2024-25.

Question: Does the HRC agree with continuing direct allocation of funding to the City's affordable housing pipeline as well as to the Minor Home Repair program as implemented by RTP?

NEXT STEPS

In spring 2024, staff will bring funding recommendations to the HRC for the Minor Home Repair program and direct allocation of CDBG and HOME funds to eligible capital projects for recommendation to Council as part of the Fiscal Year 2024-25 Annual Action Plan. Public service activities have already been determined for Fiscal Year 2024-25 as part of the two-year funding cycle, with final funding amounts to be determined based on any changes to the amount of CDBG funds the City will receive.

In fall 2024, staff will bring back a recommendation for providing the HRC more information about NOFA applications in preparation for the next two-year public services funding cycle.

HR-WC/6/HSN
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Attachment: 1. March 2, 2023 Memorandum