



**DATE:** April 7, 2022

**TO:** Human Relations Commission

**FROM:** Micaela Hellman-Tincher, Housing and Neighborhood Services Manager  
Wayne Chen, Assistant Community Development Department Director

**SUBJECT:** **Funding Recommendations for Fiscal Year 2022-23 Annual Action Plan**

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**RECOMMENDATION**

1. Recommend and forward to the City Council the Fiscal Year 2022-23 Annual Action Plan for Community Development Block Grant and Home Investment Partnership Program funds, as described in Attachment 1 to this memorandum.
2. Recommend an allocation of approximately \$1,509,789 (\$738,112 of available Community Development Block Grant, \$771,677 of available Home Investment Partnership Program funds) for capital projects, including the potential acquisition and rehabilitation of the Crestview Hotel, a project that would meet various housing needs, and/or other affordable housing projects.
3. Related to Recommendation No. 2, if the actual grant amount received from the U.S. Department of Housing and Urban Development for Community Development Block Grant and Home Investment Partnership Program Federal Program Year 2022-23 is different than the estimated amount, then the amount allocated to the potential acquisition and rehabilitation of the Crestview Hotel and/or other affordable housing projects will be adjusted accordingly.

**BACKGROUND**

The purpose of this public hearing is for the Human Relations Commission (HRC) to make funding recommendations to the City Council and receive public input per the City's Citizen Participation Plan regarding annual expenditures of U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) and Home Investment Partnership Program (HOME) funds.

Each fiscal year, the City, as a Federal "entitlement jurisdiction," directly receives CDBG and HOME funds from HUD to invest in qualifying public service activities and capital projects in Mountain View. The City is required to develop Annual Action Plans (AAP) that identify the

specific public services and capital projects that will be funded with CDBG and HOME, in alignment with the goals and priorities identified in the City's Federally required five-year Consolidated Plan (currently for the 2020 through 2025 period).

## **FISCAL IMPACT**

### **Fiscal Year 2022-23 CDBG Allocation**

For Fiscal Year 2022-23, it is estimated that the City's allocation for CDBG funding will be approximately \$600,000. A maximum of 15% of the allocation is allowed for public service activities (approximately \$90,000); 20% maximum for administration (\$120,000); and the remainder for capital projects (\$390,000).

### **Fiscal Year 2022-23 HOME Allocation**

For Fiscal Year 2022-23, it is estimated that the City's allocation for HOME funding will be approximately \$270,000. A maximum of 10% is allowed for administration (\$27,000) and the remainder for capital projects (\$243,000).

## **Unallocated Funds**

In addition to the estimated funding, the City periodically receives program income from past projects that have received CDBG and/or HOME funding. These are typically affordable housing projects that are repaying the City's affordable housing loan that included the Federal funding. Historically, the frequency and amount of program income fluctuates year to year. In the past two years, the City has received relatively large amounts of program income. For Fiscal Year 2021-22 to date, the City has received \$236,236 in CDBG program income and \$521,486 in HOME program income in Fiscal Year 2021-22, of which \$100,000 from each was allocated as part of last year's AAP. Additionally, the City has funds from prior years that had been allocated towards administration but went unspent. The unallocated program income and unspent prior year funds are totaled in the table below as unallocated funds.

## **Expected Program Income**

Finally, the City always estimates and allocates \$100,000 in CDBG program income and \$100,000 in HOME program income to be received in the coming fiscal year as part of the AAP.

## Summary Table

Table 1, below, summarizes the total amount of funding available (\$1,746,789) for the Fiscal Year 2022-23 Annual Action Plan, which includes the CDBG and HOME allocation, unallocated funds, and expected program income.

**Table 1: Funding Available and Proposed Uses for Fiscal Year 2022-23 Annual Action Plan**

Funding Source	Category	Proposed Use	Funding Amount
CDBG Fiscal Year 2022-23 Allocation	Administration	Administration	\$ 120,000
	Public Services	Year Two of Grant-Cycle	90,000
	Capital Projects	Affordable Housing	390,000
HOME Fiscal Year 2022-23 Allocation	Administration	Administration	27,000
	Capital Projects	Affordable Housing	243,000
CDBG Unallocated Funds	Capital Projects	Affordable Housing	248,112
HOME Unallocated Funds	Capital Projects	Affordable Housing	428,677
CDBG Program Income	Capital Projects	Affordable Housing	100,000
HOME Program Income	Capital Projects	Affordable Housing	<u>100,000</u>
<b>Total</b>			<b><u>\$1,746,789</u></b>

Table 2, below, summarizes how the various funding sources will be distributed to proposed uses, as further discussed in the Analysis section.

**Table 2: Proposed Uses for Fiscal Year 2022-23 Annual Action Plan**

Proposed Use	CDBG	HOME	Total
Administration	\$120,000	\$ 27,000	\$ 147,000
Public Services	90,000	-	90,000
Capital Projects	738,112	771,677	1,509,789
<b>Total</b>	<b><u>\$948,112</u></b>	<b><u>\$798,677</u></b>	<b><u>\$1,746,789</u></b>

## ANALYSIS

### Public Services

The City funds public services on a two-year cycle using CDBG funds. The process includes City issuance of a Notice of Funding Availability (NOFA) at the beginning of the two-year cycle, receiving and reviewing applications submitted by nonprofit organizations, and bringing the funding recommendations for Human Relations Commission (HRC) and Council consideration. The amount of two-year funding available is based on the estimated amounts of CDBG funding

the City expects to receive each year. Should the actual amount of CDBG funding received differ from the estimates, the funding for each organization is proportionately adjusted each year as needed. As such, there is no NOFA process in the second year in the two-year cycle.

The Fiscal Year 2021-22 AAP was the first year of the current two-year cycle, which includes HRC-recommended and City-approved public services. This Fiscal Year 2022-23 AAP process is the second year, and the activities, agencies, and funding levels were already determined last year. This includes 10 public service activities meeting various Consolidated Plan goals with an estimated \$90,000 in CDBG funding (See Attachment 2). These projects and funding levels will be included in the Fiscal Year 2022-23 AAP. Of note, the majority of the funds in the two-year public services grant cycle were designated in the first year because of significant available program income and significant need during the COVID-19 pandemic. Because the majority of the funds were allocated in the first year, agencies were given flexibility to spend the funds over more than a year. The remaining allocations represent approximately 20% of the total CDBG grant amount to each organization.

### **Capital Projects**

The City has historically issued annual NOFAs for capital projects to be funded with CDBG and HOME moneys. Capital funding in the past has been used for affordable housing developments, renovations of nonprofit buildings, and Public Works projects like new parks or sidewalk improvements. Over the past few years, it has been difficult to fund capital projects through the NOFA process, primarily because there has been a lack of nonprofits interested in receiving Federal funds, 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 the Federal funds have various program and reporting requirements that may be challenging for recipients to administer.

Last year, the City had the opportunity to partner with the County to acquire and rehabilitate the Crestview Hotel (Crestview) for permanent affordable housing. As noted above, it has been difficult in the past to find capital projects through the NOFA process. Additionally, HUD asks jurisdictions to maximize the leverage of other funds to the extent possible. HUD allows entitlement jurisdictions to directly allocate funding to projects—as opposed to a NOFA process—that align with the City's Consolidated Plan goals. As such, the City did not release a Fiscal Year 2021-22 capital projects NOFA for CDBG and HOME funds and, instead, directly allocated \$3.7 million in Federal funding to the Crestview project.

In the time since the HRC recommended this funding last year, the City and County have continued to move forward on the project. In addition to the City's \$3.7 million, the County has committed \$7 million in Measure A funds to the project and has also submitted an application to

the State Project HomeKey program for key funding needed to acquire the hotel. In addition, Crestview will require renovations to add kitchenettes and community spaces, as well as to combine some units into multi-bedroom units for families. The City and County have held several community meetings to get feedback on the proposed effort. The City and County are currently in the process of selecting a nonprofit developer. The selected developer will submit a renovation scope of work and pro forma. However, at this time, it is anticipated that the project will require additional funding to make the project viable.

As a result, it is recommended that the Fiscal Year 2022-23 AAP follow the same process as last year and directly allocate \$1,509,789 to the Crestview project. This includes the Fiscal Year 2022-23 capital funds estimated for CDBG (\$390,000) and HOME (\$243,000), unallocated CDBG (\$248,112) and HOME funds (\$428,677), and anticipated CDBG (\$100,000) and HOME (\$100,000) program income. If the actual CDBG or HOME funding for Fiscal Year 2022-23 differs from the estimated amount, and if the City receives additional program income during Fiscal Year 2021-22, the amount allocated for the Crestview Hotel project will be adjusted accordingly.

Should the ultimate scope of work and budget submitted by the selected developer not require some or all of the funding, it is recommended that the funding be reallocated to another affordable housing project in the City's extensive project pipeline to meet Consolidated Plan goals.

### **Annual Action Plan**

The Fiscal Year 2022-23 Annual Action Plan is attached to this report as Attachment 1. The AAP contains a description of the planned allocations of the City's CDBG and HOME funds, existing resources, public noticing efforts, housing and public services efforts, and goals. The funding allocations reflect the recommendations above with appropriate goals to match the funding. Very little of the AAP has changed from last year as the AAP reflects the larger five-year 2020-25 Consolidated Plan and the second year of the two-year Public Services funding cycle.

**PUBLIC NOTICING**

The Fiscal Year 2022-23 Annual Action Plan was posted on the City website at <http://monutainview.gov/neighborhoods> on March 28, 2022. Advertisements of the opening of the public comment period were placed in the *Mountain View Voice* and *Palo Alto Daily Post*, with links to the same notice in Spanish, Russian, and Chinese. Notices were also sent to interested parties per the City's Citizen Participation Plan.

MHT-WC/4/CDD

843-04-07-22M

- Attachments:
1. Fiscal Year 2022-23 Annual Action Plan
  2. Fiscal Year 2022-23 Public Services Allocations