



MEMORANDUM

Community Development Department

DATE: February 6, 2020

TO: Human Relations Commission

FROM: Tim Wong, Housing and Neighborhood Services Manager

SUBJECT: **Presentation of the Community Development Block Grant and HOME Investment Partnership Funding Programs**

PURPOSE

The purpose of this item is to provide members of the Human Relations Commission information on the Federal Community Development Block Grant and Home Investment Partnership programs.

BACKGROUND

The Community Development Block Grant (CDBG) and the Home Investment Partnership (HOME) programs are Federally funded community development programs administered through the Department of Housing and Urban Development (HUD). The two programs have different functions and requirements, but they share the objective that funds shall be invested to benefit low- and moderate-income persons/households. The program funds are awarded every fiscal year, with the City annually receiving approximately \$600,000 in CDBG funds and approximately \$200,000 in HOME funding.

As mentioned, both programs' main objective is to provide benefit to low- or moderate-income persons/households. The CDBG program funds are more flexible in its uses. Its funds can pay for public services such as programs for homeless prevention, soup kitchens, senior legal services, and victims of domestic violence in addition to capital "brick and mortar" projects, such as rehabilitation of low-income housing, construction of public facilities in low-income neighborhoods, infrastructure projects, and down payment assistance programs. HOME program activities are more limited and can only be used for capital projects related to deed-restricted affordable housing and rental assistance.

These funds are allocated through the City's annual Notice of Funding Availability (NOFA) process, which will be discussed further in this memo.

CDBG Program

The purpose of CDBG funding is to help jurisdictions address their community development needs. CDBG grantees are eligible to use the resources they receive for public services and capital projects. Public service programs and activities provide social services and/or other direct support to individuals and households in need of assistance. Eligible expenses can include personnel, service, and other operating or administrative costs. Public service funds have been used for public services, such as Community Services Agency's homeless prevention program and senior legal services for seniors. Capital project activities are focused on "brick and mortar"-type neighborhood improvement and enhancements. Some previously funded capital projects include the rehabilitation of The Fountains Apartments, an affordable housing development developed by MidPen Housing, and improving the parking lot lighting at Rengstorff Park.

The CDBG program allows up to 15 percent of the allocation to be used towards public services, 20 percent of the allocation for administration, and the remaining 65 percent of the allocation for capital projects. In Mountain View, public service funding is awarded every two years, while capital service applications are awarded on an annual basis.

HOME Program

HOME funding is intended to be used for various housing-related programs and activities. These funds have a narrower scope of eligible uses and are generally used to address the housing needs of jurisdictions through the preservation or creation of affordable housing. New construction, rehabilitation, and tenant-based rental assistance are all eligible uses of HOME funds. All housing developed with HOME funds must serve low- and very low-income families.

The HOME program allows 10 percent of the allocation for administration and 90 percent for capital projects. HOME funds cannot be used for public services.

CDBG/HOME Funding Cycle and Process

The program funds are awarded on an annual basis. A typical funding year is broken down as follows:

November	Issue Notice of Funds Available
February	HRC to consider Public Service Funding applications*
February/March	City receives allocation amount from HUD
March	HRC to consider Capital Funding applications
April	Council consideration of funding recommendations and Annual Action Plan
May	Submittal of Annual Action Plan
July	Execute Contracts
September	Submittal of CAPER

* The HRC considers public service applications every other year.

Typically, a funding year begins in November/December when City staff issues a Notice of Funding Availability (NOFA) for the CDBG/HOME funds. In addition to the Federal funds, the City supplements the funding with its own General funds to pay for public services. While the City funds do not have the various Federal requirements, the uses of the City's General funds must align with the objectives of the CDBG/HOME funds, primarily to benefit low-income households. The City sets aside approximately \$270,000 on an annual basis for these public services.

Staff makes the initial funding recommendations for HRC review. In February, HRC reviews the staff recommendations and makes public service funding recommendations to the City Council. However, this year, because public service awards were approved last year and they are on two-year funding cycles, the HRC will not consider public service applications this year. At the March meeting, the HRC finalizes capital project funding recommendations to the City Council for final consideration. Because the City is updating its Consolidated Plan, the HRC will also be reviewing and providing comment on the draft Consolidated Plan this year. The Council usually makes their final approval in April. The Council-approved funding allocations are then included in an Annual Action Plan and submitted to HUD.

Usually, in February or March, the City receives its notice from HUD regarding its funding amount for the next fiscal year. However, in the past few years, because of Federal budget uncertainties, HUD allocations have been issued late to cities, sometimes as late as May. In order to continue to meet the HUD timelines, staff has been estimating

allocation amounts and providing contingency recommendations in the Annual Action Plan.

Key Considerations for CDBG and HOME Projects

Historically, the amount of funding requested exceeds the amount available. As a result, assessment factors are used 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?

HUD Required Documents

Every five years, HUD requires that entitlement jurisdictions complete a Consolidated Plan that outlines their market environment and the affordable housing and community development needs. The City creates an Annual Action Plan to implement the five-year Consolidated Plan and to identify funding allocations that will advance the goals outlined and discussed in the Consolidated Plan. Additionally, a Consolidated Annual Performance Evaluation Report (CAPER) is completed each year that reports the performance of the City and its subgrantees.

Current Consolidated Plan

The five-year Consolidated Plan is for Fiscal Years 2015-20. Therefore, the current Consolidated Plan is due to expire at the end of this fiscal year. Staff is in the process of preparing the Fiscal Year 2020-25 Consolidated Plan. The Consolidated Plan serves as

the strategic plan that identifies how CDBG and HOME funding will be allocated. The Consolidated Plan contains a large amount of demographic data which is used to help provide a needs assessment and market analysis of the City. The majority of data utilized is provided by HUD for the purpose of preparing the Consolidated Plan. HUD periodically receives custom tabulations of data from the U.S. Census Bureau that are largely not available through standard Census products. Known as Comprehensive Housing Affordability Strategy (CHAS) data, it demonstrates the extent of housing problems and housing needs, particularly for low-income households. To complement the quantitative data gathered, the Consolidated Plan also incorporates a qualitative component that helps to identify the City's highest-priority needs through extensive citizen participation.

The following Consolidated Plan goals were approved by Council to meet the City's high-priority needs:

1. Support affordable housing for lower-income and special-needs households.
2. Support activities to prevent and end homelessness.
3. Support activities that provide basic needs to lower-income households and special-needs populations, such as seniors, abused and neglected youth, and the disabled.
4. Support programs and activities that strengthen neighborhoods.
5. Promote fair housing opportunities.

Consolidated Plan Update

As mentioned, the current Consolidated Plan expires on June 30, 2020, and City staff is in the Consolidated Plan update process. As with the current Consolidated Plan, the City is partnering with the other CDBG entitlement cities in the preparation of the future Consolidated Plan. The HRC was involved in the preparation of the current Consolidated Plan and will be involved in the development of the next Consolidated Plan. A draft of the Consolidated Plan will be reviewed by the HRC prior to final consideration by Council.

The City has held two Consolidated Plan public outreach meetings where the public was asked a series of questions in order to identify City housing and community needs. In addition, a Countywide survey was circulated in Spanish, Chinese, and Vietnamese, also asking the community to identify housing and community needs.

Based on the public input, the community identified the following needs:

- Address and promote fair housing
- Increase affordable housing
- Support opportunities for special needs populations
- Support homeless prevention
- Create sustainable jobs and increase earning capacity
- Improve community and public facilities

Based on the identified needs, staff will develop funding priorities for the Consolidated Plan. Prior to Council review of the Consolidated Plan, a draft Consolidated Plan will be available for public review and comment for 30 days.

The tentative review schedule for the 2020-2025 Consolidated Plan is as follows:

March 5	HRC public hearing for Consolidated Plan and Fiscal Year 2020-21 Funding Recommendations
March 11	Begin 30-day public comment period of Consolidated Plan and Annual Action Plan
April 10	Close of 30-day public comment period
April 21	City Council Public Hearing for consideration of Consolidated Plan, Annual Action Plan, and Fiscal Year 2020-21 Funding Recommendations
May 15	Send Consolidated Plan and Annual Action Plan to HUD

The City's Citizen Participation Plan requires one public hearing to be held prior to releasing the Consolidated Plan for public comment. The HRC's March 5 hearing will serve as the City's first public hearing.

Annual Action Plan

The Annual Action Plan is a required HUD document that reports to HUD how the City plans on spending its funds for the next fiscal year and how it will further the goals of the Consolidated Plan. All activities funded in the Annual Action Plan must be consistent

with the priorities outlined in the Consolidated Plan. The Action Plan is submitted annually in May.

Consolidated Annual Performance and Evaluation Report

The Consolidated Annual Performance and Evaluation Report (CAPER) is a report that reports on the performance of the fund awardees the past fiscal year. Due in September, the CAPER uses the performance measures set forth in the Action Plan and summarizes if each subrecipient was able to meet their target.

CONCLUSION

The HRC will make capital project funding recommendations for Fiscal Year 2020-21 and on the Consolidated Plan on March 5, 2020. The HRC's recommendations will be presented to the City Council in April 2020, which will make final funding decisions and review the Consolidated Plan. The City Council's funding decisions will then be incorporated into the City's Annual Action Plan with the Consolidated Plan that will be submitted to HUD prior to HUD's May 15, 2020 submittal deadline unless otherwise directed by HUD.

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