

**MEMORANDUM**

Community Development Department

DATE: March 2, 2023

TO: Human Relations Commission

FROM: Harsha Ramchandani, Housing Specialist I
Wayne Chen, Assistant Community Development Director

SUBJECT: **Federal Community Development Block Grant and Home Investment Partnership Funding Recommendations for Fiscal Year 2023-24 Annual Action Plan**

RECOMMENDATION

1. Recommend and forward to the City Council allocations for approximately \$131,500 for public service applicants as shown in Table 2 below and \$2.23 million in capital projects for the Fiscal Year 2023-24 Annual Action Plan for Community Development Block Grant and Home Investment Partnerships Program funds as described in this report.
2. Related to Recommendation No. 1, if the actual Community Development Block Grant and Home Investment Partnership Program grant amount received from the U.S. Department of Housing and Urban Development for Federal Program Year 2023 is different from the estimated amount, then the increase or decrease will be proportionally allocated among applicants based on their awarded funding levels and up to the amount requested.
3. Recommend an estimated General Fund allocation of \$171,000 and \$95,540 of American Rescue Plan Act funding for Fiscal Year 2023-24 for public service applicants as shown in Table 3.
4. Related to Recommendation No. 3, if the adopted Fiscal Year 2023-24 City budget includes a General Fund amount different from the estimated \$171,000, then the increase or decrease will be proportionally allocated to public services applications based on their awarded funding levels and up to the amount requested.

PURPOSE

The purpose of this item is for the Human Relations Commission (HRC) to hold a public hearing and make funding recommendations to the City Council regarding the following:

- Public service activities as part of the annual Notice of Funding Availability (NOFA) process for Community Development Block Grant (CDBG) and General Funds, including one-time American Rescue Plan Act (ARPA) funding only available for Fiscal Year 2023-24. Awarded applicants would be allocated only for Fiscal Year 2023-24 with conditional funding for Fiscal Year 2024-25, subject to satisfactory performance in the first fiscal year.
- Capital projects:
 - Direct allocation of CDBG and Home Investment Partnership Program (HOME) funds for rehabilitation and conversion of the Crestview Hotel project into affordable housing and/or other affordable housing projects; and
 - Funding for the City's minor home repair program to Rebuilding Together Peninsula.

HRC recommendations will be included in the Council report for the City Council public hearing currently scheduled for April 25, 2023, during which Council will make the final funding decisions as part of the Fiscal Year 2023-24 Annual Action Plan process. The Council-approved plan will then be submitted to the U.S. Department of Housing and Urban Development (HUD) by the May 15, 2023 submittal deadline.

BACKGROUND

Each year, the HRC is tasked by Council with recommending the allocation of CDBG and HOME Federal grant funding supplemented by City General Funds to public services and capital projects. In Fiscal Year 2023-24, the funding allocation recommendation will also include a one-time ARPA funding allocation. The programs and projects funded by these grants must support the implementation of the City's Consolidated Plan, which HUD, the Federal agency responsible for administering the CDBG and HOME programs, requires grant recipients to adopt. The Consolidated Plan identifies priority goals for the City's CDBG and HOME programs. The City is currently implementing the 2020-25 Consolidated Plan.

The funding allocations adopted by Council on April 25 will comprise the Fiscal Year 2023-24 Annual Action Plan, whose purpose is to advance the goals of the Consolidated Plan. Overall, the funding recommendations presented in this memorandum align with the priority goals outlined in the Consolidated Plan. The City's Consolidated Plan can be found at the following link: [Fiscal Year 2020-25 Consolidated Plan](#).

On November 3, 2022, staff presented a suggested policy framework for evaluating funding requests and developing recommendations to the HRC for discussion and further direction. The framework criteria included alignment with the Consolidated Plan, effective and flexible administration of funds for capital projects, and minimum funding thresholds. This framework informed the development of the Fiscal Year 2023-24 funding recommendations. Additional information on the framework and CDBG/HOME programs can be found in the November 3, 2022 memorandum (Attachment 1.)

Funding Types

As noted in the November 3, 2022 memorandum (Attachment 1), the City of Mountain View is an “entitlement jurisdiction,” which enables the City to receive annual grants on a formula basis for the CDBG and HOME programs directly from HUD. The amount of program funds awarded each fiscal year fluctuates and is dependent on the Federal budget adopted for these programs. The City then allocates these funds to eligible public services and capital projects to meet City and Federally required housing and community development objectives.

In addition to the annual CDBG and HOME allocations, the City also receives “program income” (PI) for both programs on a periodic basis in the form of loan repayments from past CDBG-funded capital projects. PI may be used to fund public service activities, capital projects, and/or administrative overhead. Due to HUD rules, a maximum of 15% of Fiscal Year 2022-23 PI may be included in the Fiscal Year 2023-24 public service funding levels.

Finally, there may be funds from prior years that are considered “unallocated.” Unallocated funds typically occur when the City receives PI that it did not expect or in an amount higher than anticipated or when funds set aside for program administration are not fully spent.

The City is required to develop a Consolidated Plan every five years identifying priority goals for the CDBG and HUD programs and to create Annual Action Plans to implement the five-year plan. As noted above, the City is currently implementing its 2020-25 Consolidated Plan, and this HRC item is to discuss funding recommendations for the Fiscal Year 2023-24 Annual Action Plan, which include funding from the annual allocation, PI, and any unallocated funds.

City General Fund Support

The City makes an annual appropriation from its General Fund to supplement Federal funds and support human service, educational, cultural, arts, and other programs not eligible for Federal funds. Per City policy, the uses of the City’s General Funds that supplement Federal funding must align with and further the goals and strategies in the City’s Federal Consolidated Plan.

Anticipated Fiscal Year 2023-24 Funding

Each year, the HRC considers proposed allocations of CDBG and HOME funding for public services and capital projects as well as General Fund support for public services. HRC recommendations are then forwarded to the City Council, which makes final funding recommendations that are incorporated into the City's Annual Action Plan.

Below is a summary of the estimated funding available for Fiscal Year 2023-24 and proposed uses.

- **CDBG**: For Fiscal Year 2023-24, it is estimated that the City's allocation for CDBG funding will be approximately \$625,000. Additionally, the City received \$251,744 in PI in Fiscal Year 2022-23, along with available carryover funds. Combined with the estimated Fiscal Year 2023-24 CDBG annual allocation, there is approximately \$131,500 for public services and \$782,000 for capital projects.
- **HOME**: For Fiscal Year 2023-24, it is estimated that the City's allocation for HOME funding will be approximately \$298,000. HOME funds can be used for affordable housing projects but not for public service activities.

The City received a relatively large amount of HOME PI in Fiscal Year 2022-23 compared with the amounts received in prior years. Additionally, there were some unallocated HOME funds from previous years available for programming. As such, when combined with the Fiscal Year 2023-24 HOME allocation, approximately \$1.4 million in HOME funding is available for capital projects.

- **General Fund Allocation and ARPA Funding**: As noted above, \$171,000 from the General Fund is recommended to fund public services grant applicants. Furthermore, Council appropriated an additional \$95,540 as part of the City's Fiscal Year 2022-23 Adopted Budget to support public services in Fiscal Year 2023-24. This additional funding is from Federal funding received by the City as a result of ARPA. Staff recommends including the ARPA allocation for funding General Fund public service applicants.

NOFA Process

This NOFA cycle included a one-year cycle for CDBG capital projects and a new two-year funding cycle for Fiscal Years 2023-24 and 2024-25 for CDBG- and General Fund-funded public services. The awarded organizations, activities, and projects will be included in the City's Fiscal

Year 2023-24 Annual Action Plan, as required by HUD. Below are the eligibility requirements for both CDBG and General Fund public service activities:

1. CDBG recipients must:
 - a. Be eligible applicants (limited to 501(c)(3) nonprofit organizations, government agencies, and school districts).
 - b. Meet one of the following CDBG National Objectives:
 - i. Benefit low- and moderate-income (LMI) persons;
 - ii. Aid in the prevention or elimination of slums or blight; and
 - iii. Meet an urgent need.
 - c. Meet one or more of the six priority goals in the City's 2020-25 Consolidated Plan, as follows:
 - i. Increase affordable housing;
 - ii. Respond to homelessness;
 - iii. Support social services;
 - iv. Enhance physical infrastructure;
 - v. Address and promote fair housing; and/or
 - vi. Promote economic resiliency.
2. General Funds: The following criteria for public service activities funded by the General Fund are in City Council Policy A-8, Service Organization Funding Policy.
 - a. Purpose:
 - i. Educational, cultural, arts, and other programs not eligible for Federal funds; and
 - ii. To supplement the Federal funding for public service activities. General Funds that supplement Federal funding shall align with and further goals and strategies in the City's Consolidated Plan and Annual Action Plan.
 - b. Timeline, application process, review, and approval process for public service activities are the same as those for CDBG funds.

Included below in Table 1 is a summary of the NOFA process. As approved by the HRC in November 2022, HOME funding will be directly allocated to capital projects and was not included

in the NOFA. The application period opened on December 5, 2022 and closed on January 17, 2023 at 5:00 p.m. Pacific Standard Time. A notice was published in the *Daily Post*, the *Mountain View Voice*, and on the City website. Interested applicants were notified of the NOFA through outreach emails and through the monthly meeting of the City, County, and community-based organizations coordinated by the City’s Human Services team. Interested applicants were required to attend a presubmittal webinar (held on December 16, 2022) or watch a recording of the webinar prior to applying. All applications were required to be submitted to the City’s online grants platform by the deadline.

Funding requests for the General Fund exceeded the \$171,000 available. The ARPA allocation of \$95,540 was not included in the NOFA notice; instead, it will be used to supplement the General Fund for public service activities that could otherwise not be funded due to the oversubscription.

Table 1: Summary of Fiscal Year 2023-24 NOFA Program

Application Details	Public Services	Capital Projects
Estimated Funding Amount	<ul style="list-style-type: none"> • CDBG Public Services: \$131,500. • City General Fund Public Services: \$171,000. 	<ul style="list-style-type: none"> • CDBG Capital Projects: \$751,000. • CDBG Minor Home Repair Program: \$30,000.
Funding Threshold	<ul style="list-style-type: none"> • Minimum grant of \$7,500 for CDBG and General Fund applications. 	<ul style="list-style-type: none"> • Minimum funding threshold of \$300,000 for Capital projects.
Eligible Activities	<ul style="list-style-type: none"> • CDBG and General Fund: Programs and services benefitting low-income individuals, households, members of protected classes, and low-income areas. Program or service must meet one of the six priority goals listed above. • General Fund Only: Human services, educational, cultural, arts, and other programs not eligible for Federal funds. 	<ul style="list-style-type: none"> • Affordable housing projects, and community projects benefitting low-income individuals, households, and areas.
Funding Cycle	<ul style="list-style-type: none"> • First-year funding for two-year cycle (Fiscal Years 2023-24 and 2024-25). • Year 2 funding for CDBG and General Fund estimated to be similar to Year 1. 	<ul style="list-style-type: none"> • Funding for Fiscal Year 2023-24.

ANALYSIS

Sixteen (16) organizations applied to this NOFA requesting public service funding for 19 programs/activities. The City received a total request of \$343,669 for CDBG funding, representing 10 activities and a total request of \$238,724 for General Funds, representing nine public service activities. Funding requests for both programs were oversubscribed, especially for CDBG funds.

Most applicants applied for funding for one activity. However, the following organizations applied for more than one activity and sought both CDBG and General Funds:

- Community Services Agency:
 - Homelessness prevention services (CDBG)
 - Seniors case management (CDBG)
 - Senior nutrition (General Fund)

- The Day Worker Center:
 - Education, skills training, and job placement (CDBG)
 - Healthy Meals Program (General Fund)

The City received one application for the Minor Home Repairs program, and no applications were received for capital projects funding.

Evaluation Framework

As directed by the HRC during the November 3, 2022 meeting, staff reviewed and scored each application based on the following parameters:

- Completeness of application; and

- Scoring awarded for:
 - Furthering of Consolidated Plan goals;
 - Addressing community needs;
 - Administrative capacity to implement program/activity/project; and
 - Process flows for program/activity/project, including monitoring and reporting.

It is the responsibility of each applicant to ensure the information provided as part of their application submittal is detailed, clear, and complete. As mentioned, a required presubmittal

webinar was held to provide an overview of the NOFA process, using the application platform Zoomgrants, application requirements, and evaluation criteria. The recording was shared with the interest list and posted to the City website, and staff was available for questions throughout the application period.

Most of the applicants are current or previous subrecipients of CDBG and General Funds and are familiar with the application process and received high scores. However, as the NOFA is oversubscribed, it is not possible to fully fund all the activities. In addition to the evaluation framework, staff considered the following factors for funding recommendations:

- Amount previously awarded to recipients, if applicable;
- Amount requested in the NOFA application;
- Funds available; and
- Minimum funding threshold of \$7,500 for public service applicants as approved by HRC at the November 3, 2022 meeting.

Based on these factors, staff recommends proportional funding to all eligible applicants. The funding recommendations are discussed further below.

Public Services Funding Recommendations

CDBG Funding Recommendations

Table 2 below provides a summary of the organizations that applied for CDBG public services funding and the funding recommendation.

Table 2: CDBG Public Service Funding Recommendations for Fiscal Years 2023-24 and 2024-25 Public Service Applicants

Applicant (Agency Name)	Program/Activity Name	Amount Requested (Per FY)	Amount Requested w/Staff Modifications	CDBG Funding Recommendation (Per FY)
Community Services Agency (CSA)	Homelessness prevention services	\$42,742	\$42,742	\$31,629
Community Services Agency (CSA)	Seniors case management services	\$27,300	\$27,300	\$20,202

Applicant (Agency Name)	Program/Activity Name	Amount Requested (Per FY)	Amount Requested w/Staff Modifications	CDBG Funding Recommendation (Per FY)
Day Worker Center	Education, skills training, and job placement	\$40,000	Recommended to fund with General Fund allocation	See General Fund Recommendations below Table 5
LifeMoves	Graduate house	\$35,000	\$35,000	\$25,900
Next Door Solutions to Domestic Violence	Services for victims of domestic violence	\$15,000	\$15,000	\$11,100
Project Sentinel	Fair housing	\$25,000	Recommended to fund with Housing Funds	Recommended to fund with Housing Funds
Senior Adults Legal Assistance (SALA)	Legal assistance to elders	\$16,500	\$16,500	\$12,210
Silicon Valley Independent Living Center (SVILC)	Housing program for persons with disabilities	\$10,127	\$10,127	\$7,494
Vista Center for the Blind and Visually Impaired	Vision loss rehab program	\$30,000	\$30,000	\$22,200
WeeCare	BOOST (Business Operation and Optimization Support Tools)	\$102,000	N/A. Determined ineligible as a public service activity.	N/A. Determined ineligible as a public service activity.
Total CDBG Funds		\$343,669	\$176,669	\$130,735

- CDBG Funding Rationale: All the above programs and activities meet community needs and would benefit low- and moderate-income households; however, as the funding available is limited, staff has recommended funding based on the following rationale:
 - Proportionate funding for awarded applicants: Based on the estimated funding of \$131,500 and other evaluation factors noted in the section above, seven of the 10 applicants are recommended for funding at 74% of their requested amounts. This funding percentage allows for available funds to be distributed equally among all recommended applicants for the two-year grant cycle. If the actual Fiscal Year 2023-24 CDBG allocation is different than the estimated amount, then the recommended funding amounts for each of the awarded applicants will be proportionately increased or decreased based on the actual allocation.

- Addressing significant oversubscription of CDBG funds: In the past, Project Sentinel has been funded through General Housing Funds. It is recommended that they continue to be funded through General Housing Funds instead of CDBG funding. In addition, it is recommended that the Day Worker Center’s Education, Skills Training, and Job Placement program receive proportional funding from the General Fund along with the other General Fund subrecipients. This would also enable the Day Worker Center to streamline their monitoring and reporting processes for both activities per compliance requirements for the General Fund.

- Request not recommended for funding: WeeCare is a for-profit organization that has applied for CDBG public service funding for a program providing technical assistance to small day-care businesses. CDBG funds can be provided under the economic development category to an agency that gives technical assistance to microenterprise businesses (if they are a business with five or fewer employees, including the owner), and the business owner is low to moderate income. However, as the City’s funding allocation is relatively small and, based on community needs, it has been typically focused toward public service and eligible capital projects. If Council provides direction to pursue funding of economic development projects in addition to public service and capital projects, staff will have to create a policy and procedures manual which must be approved by HUD before economic development projects can be funded. Given the City’s NOFA of CDBG funds was for public services and capital project and not economic development, it has been determined that the City will be unable to fund WeeCare’s BOOST program.

General Fund Recommendations

Table 3 summarizes staff’s recommendation for public service activities funded by the General Fund and ARPA funding (for Fiscal Year 2023-24 only).

Table 3: General Fund Public Service and ARPA Funding Recommendations for Fiscal Years 2023-24 and 2024-25 Public Service Applicants

Applicant (Agency Name)	Program/Activity Name	Amount Requested (Per FY)	Funding Recommendation (Per FY)
Community School of Music and Arts (CSMA)	Preschool music and art program	\$25,000	\$19,750
Community Services Agency (CSA)	Seniors nutrition program	\$38,029	\$29,663
Day Worker Center	Healthy meals program	\$40,000	\$31,200
Healthier Kids Foundation	VisionFirst screenings	\$11,245	\$8,771

Applicant (Agency Name)	Program/Activity Name	Amount Requested (Per FY)	Funding Recommendation (Per FY)
Junior Achievement of Northern California	Mountain View youth economic empowerment initiative	\$8,000	\$6,240
MayView Community Health	Increasing access to medical care for underserved Mountain View residents	\$22,500	\$17,550
Parents Helping Parents, Inc.	Supporting families raising children with disabilities	\$8,250	\$6,435
The Health Trust	Meals On Wheels program	\$43,200	\$33,696
YWCA	Domestic violence support services	\$42,500	\$33,150
Day Worker Center (DWC)	Education, skills training, and job placement	\$40,000	\$31,200*
Total CDBG Funds		\$278,724	\$217,655

* NOTE: DWC's Education, Skills Training, and Job Placement program recommended to be transferred to General Fund public service grant from the CDBG public services grant.

- General Fund and ARPA Funding Rationale:** All of the organizations that applied for the General Funds appropriation provide needed and valuable services to low-income seniors, disabled persons, youth, and families. Funding public service activities provides a variety of unique services for low-income and at-risk populations and enables the City to further the priority goals identified in the Federal Consolidated Plan. Without General Fund support, agencies which would not be eligible for CDBG funds would not receive City funding.

As the requested amount is more than the available funding of the General Fund allocation and ARPA funds and the other evaluation factors noted in the section above, staff recommends proportional funding to maintain consistent funding for the recommended applicants over the two-year grant cycle. All 10 programs/activities, including the Day Worker Center's Education, Skills Training, and Job Placement program, transferred from the CDBG list of applicants are recommended for funding at 78% of their requested amounts. This funding percentage allows for available funds to be distributed proportionately and consistently among all recommended applicants for the Fiscal Year 2023-25 grant cycle.

Capital Projects Funding Recommendations

- **\$30,000 to Rebuilding Together to Implement a Minor Home Repair Program:** The City allocated \$30,000 of CDBG capital funds for implementing a minor home repair program and received one application from Rebuilding Together Peninsula for their Safe at Home program. The organization had been a CDBG subrecipient when this program was previously funded through the public services grants until 2019. The program was paused during the COVID-19 pandemic and, based on community feedback, there remains a need for these services.

The goal of the home repair programs is to address minor repair needs for eligible low-income homeowners before they become serious safety or deferred maintenance issues. Examples of common repairs include, but are not limited to: widening doorways and passageways, removing tripping hazards, smoke and CO₂ detector installation, and improved interior and exterior lighting. Staff recommends Rebuilding Together Peninsula for the implementation of the minor home repair program to leverage their networks with contractors and understanding of homeowners' needs. Rebuilding Together Peninsula is also familiar with CDBG monitoring and reporting requirements.

- **\$2.2 Million CDBG and HOME Direct Allocation to Crestview Hotel Project:** In November 2022, the HRC approved policy recommendations for CDBG and HOME funds which included a direct allocation of HOME funding for capital projects to affordable housing projects in the City's pipeline that are "shovel ready" to meet program requirements. HUD allows entitlement jurisdictions to directly allocate funding to projects that align with the City's Consolidated Plan goals and that meet national CDBG and HOME objectives.

In addition, the HRC approved a minimum funding threshold of \$300,000 for CDBG funding for capital projects. Approximately \$750,000 in CDBG funds were included in the annual NOFA. Capital funding in the past has been used for affordable housing developments, renovations of nonprofit buildings, and Public Works projects, such as new parks or sidewalk improvements. However, no applications were received. This could be due to a number of reasons, such as a lack of nonprofits interested in receiving Federal funding 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 the Federal funds have various program and reporting requirements that may be challenging for recipients to administer.

Over the last two years, the City has set-aside approximately \$5.3 million in CDBG and HOME funds for the rehabilitation and conversion of the Crestview Hotel (located at 901 East El Camino Real) for permanent affordable housing. City staff has been working with the County and the selected developer to advance the project. The project has also

been awarded important funding from the State's Project Homekey program. However, due to the rising costs of construction, there is a remaining funding gap that must be closed before renovations/construction can begin. The County remains in high support of this project, and staff is actively evaluating funding options and working with the City to close the gap.

Staff recommends that the Fiscal Year 2023-24 Annual Action Plan include approximately \$2.2 million in funding for the Crestview Hotel project by allocating the available CDBG funds for capital projects (approximately \$751,000) and available HOME funds for capital projects (approximately \$1.4 million) to help meet the funding gap. This will allow the project to move forward to provide much-needed affordable housing and to meet Project Homekey deadlines. If the actual CDBG or HOME funding for Fiscal Year 2023-24 differs from the estimated amount, the amount allocated for the Crestview Hotel project will be adjusted accordingly.

NEXT STEPS

City staff will include HRC recommendations in the Council report for the City Council public hearing currently scheduled for April 25, 2023, during which Council will make the final funding decisions. The City Council's funding decisions will then be incorporated into the Fiscal Year 2023-24 Annual Action Plan that will be submitted to HUD by the May 15, 2023 HUD submittal deadline.

ALTERNATIVES

1. Support staff recommendations.
2. Provide other input for funding recommendations.

HR-WC/6/CDD
846-03-02-23M

Attachment: 1. November 3, 2022 Memorandum