



**DATE:** April 24 2018

**CATEGORY:** Public Hearing

**DEPT.:** Community Development

**TITLE:** **Fiscal Year 2018-19 CDBG/HOME Funding Cycle – Public Hearing**

### **RECOMMENDATION**

1. Allocate an estimated \$332,000 in Community Development Block Grant and \$171,000 in Home Investment Partnership Program funds to Fiscal Year 2018-19 capital projects as shown in Table 4 of this Council report.
2. Allocate the maximum allowable amount, currently estimated at \$80,000 in Community Development Block Grant funds, to existing public service programs.
3. Allocate the maximum allowable amount, currently estimated at \$96,000 in Community Development Block Grant and \$19,000 in Home Investment Partnership Program funds, for the management and administration of the Community Development Block Grant and Home Investment Partnership Programs.
4. If the actual allocations and/or carryover are more or less than the amounts estimated, proportionately allocate the difference to the capital project agencies based on their awarded funding levels up to the amounts requested; proportionately allocate the maximum allowable increased or decreased Community Development Block Grant allocation to public service agencies up to the amounts requested; proportionately allocate the maximum allowable increased or decreased Community Development Block Grant and/or Home Investment Partnership Program allocation and any program income received to administration; and carry over remaining funds to Fiscal Year 2019-20 capital projects.
5. Adopt the Fiscal Year 2018-19 Action Plan in Attachment 2 to the Council report, as amended by the City Council's decisions, and authorize the City Manager to execute the required forms and certifications and submit this document to the U.S. Department of Housing and Urban Development.

## **BACKGROUND**

The purpose of this public hearing is for the Council to consider the Human Relations Commission's (HRC) capital project funding recommendations, make final funding decisions on the Fiscal Year 2018-19 Community Development Block Grant (CDBG) and Home Investment Partnership Program (HOME) allocations, and adopt the City's 2018-19 Action Plan. The HRC held its recommendations hearing on March 1, 2018. The funding recommendations from that hearing are summarized later in this report.

### **CDBG and HOME Funding Cycle**

Annually, the City receives CDBG and HOME funding from the U.S. Department of Housing and Urban Development (HUD) that is allocated to public service programs and capital projects benefitting lower-income households. A portion of the funding is also used for administration. While capital project applications are considered for funding every year, public service applications are accepted biennially and funded for two years. Fiscal Year 2018-19 is the second year of the two-year cycle for public service agencies, so only capital projects are being considered in this round of funding. Awarded activities will be summarized in an Action Plan that will be submitted to HUD for that agency's consideration.

Typically, jurisdictions receive notice of their CDBG and HOME allocations in March or April, in time for the annual May 15 submittal deadline of the Action Plan. This year, there was a significant delay in the release of the Federal HUD budget and allocations to jurisdictions are not yet known as of the date of this Council report. Therefore, HUD has extended the Action Plan deadline to until 60 days after the date allocations are announced, or until August 16, 2018 (whichever comes first). Once the allocations are known, staff recommends proportionately adjusting the awarded funding in the Action Plan prior to submittal to HUD.

## **ANALYSIS**

### **Overview of CDBG/HOME Funding**

Since Fiscal Year 2000-01, the Federal CDBG and HOME funding has decreased from a high of \$834,000 and \$430,000, respectively, to \$483,532 and \$192,852 for Fiscal Year 2017-18. While the Federal Administration had proposed eliminating funding for both programs in Fiscal Year 2018, on March 23, 2018, the Federal budget was adopted with the continuation of the CDBG and HOME programs at higher funding levels than in Fiscal Year 2017-18.

**Fiscal Year 2018-19 CDBG/HOME Funding**

The estimated CDBG and HOME allocations and unused funds from completed projects (reprogrammed funds) are shown below in Table 1. The estimated CDBG and HOME allocations in Fiscal Year 2018-19 are \$480,000 and \$190,000, respectively. The actual amount of unused funds from completed projects that could be reprogrammed to Fiscal Year 2018-19 activities will not be known until the end of the fiscal year. If the total funding is less than or greater than the estimates, the funding level awarded to agencies will be proportionately adjusted, as approved by Council or otherwise directed.

**Table 1: Estimated CDBG and HOME Funding for Fiscal Year 2018-19**

	Estimated CDBG Funds Fiscal Year 2018-19	Estimated HOME Funds Fiscal Year 2018-19
HUD Allocation	\$480,000	\$190,000
Reprogrammed Funds <sup>1</sup>	28,000	-0-
<b>Available Funds</b>	<b>\$508,000</b>	<b>\$190,000</b>

Roughly \$47,000 in CDBG Program income is also anticipated to be available for Fiscal Year 2018-19. During the fiscal year that it is received, program income cannot be allocated to public service activities but it can be allocated to administrative activities. The maximum allowable amount of program income received in 2018-19 would be allocated to administration, while the maximum allowable amount of program income received in Fiscal Year 2018-19 would be allocated to public services in Fiscal Year 2019-20, in accordance with HUD regulations. The balance of program income received would be reserved for capital projects in Fiscal Year 2019-20.

**Fiscal Year 2018-19 CDBG/HOME Uses**

HUD regulations allow jurisdictions to use 20 percent of the CDBG and 10 percent of the HOME allocation and program income for administration. Up to 15 percent of the CDBG allocation and prior year program income may be used to fund public service programs. Remaining funds are available for the capital projects. The Fiscal Year 2018-19 estimates for the allowable uses are shown in Table 2.

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<sup>1</sup> Reprogrammed funds consist of unused funds from completed projects and may be used for capital projects but not for public services or administration.

**Table 2: Fiscal Year 2018-19 CDBG and HOME Estimates**

Fiscal Year 2018-19	CDBG Funds	HOME Funds
Administration	\$96,000	\$19,000
Public Services	80,000 <sup>(1)</sup>	N/A
Capital/Housing Projects Budget	332,000	171,000
<b>Totals</b>	<b>\$508,000</b>	<b>\$190,000</b>

(1) Includes an estimated \$8,000 from Fiscal Year 2017-18 Program Income.

Administration Funding

Roughly \$96,000 in CDBG and \$19,000 in HOME funds will be available for Fiscal Year 2018-19 administrative activities. The administration funds are used for staffing, contract services, and general office expenses. HUD allows jurisdictions to use CDBG administrative funds to supplement HOME administration funding, and most cities, including Mountain View, use CDBG administrative funding to cover some HOME administrative activities.

CDBG Public Service Funding

Fifteen percent (15%) of the HUD CDBG allocation and program income received in the prior fiscal year can be used for public services. The Fiscal Year 2018-19 estimated CDBG public service funding is about \$80,000, which includes \$72,000 from the Fiscal Year 2018-19 CDBG HUD allocation and \$8,000 estimated from program income from Fiscal Year 2017-18. Fiscal Year 2018-19 funds will be allocated proportionally based on available funding.

CDBG/HOME Capital Project Funding

CDBG funding that is not used for administration or public services may be used for capital projects that benefit lower-income households and areas. HOME funding not allocated for administration can only be used for affordable housing activities. Approximately \$332,000 in CDBG and \$171,000 in HOME funds is estimated to be available for Fiscal Year 2018-19 capital projects. The City has received five CDBG funding requests of which one is a combination CDBG/HOME application as shown below in Table 3.

**Table 3: 2018-19 Capital Project Funding Requests**

Sponsor	Project	CDBG Funding Requested	HOME Funding Requested
Quetzal House Security System	Installation of a video surveillance system at a local youth shelter	\$10,025	N/A
Rebuilding Together Peninsula (RTP)	Safe at Home Program (Minor home repair and accessibility modifications)	30,000	N/A
Graduate House	Kitchen improvements and energy efficient upgrades at a permanent supportive housing site	58,800	N/A
Hope’s Corner	Accessibility improvements at a facility serving the homeless	191,784	N/A
Mid-Pen Housing	New Units at Shorebreeze Apartments	480,000	190,000
<b>Total Amount of Funds Requested</b>		<b>\$770,609</b>	<b>\$190,000</b>
<b>Estimated Amount of Funds Available</b>		<b>\$332,000</b>	<b>\$171,000</b>

While there is only one HOME proposal that would use all of those funds, there are five CDBG proposals and not enough funds for all of those projects. The amount of CDBG funding requested exceeds the estimated available amount by about \$438,609, but partially funding the applications would leverage funds with other funding sources and help facilitate those projects to be executed. More information on the projects is provided in the next section.

**HRC Recommendations**

Staff evaluates funding proposals based on their consistency with the City’s Consolidated Plan, 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. Assessment factors are also considered to help in the recommendations for funding allocations. Key assessment

factors that are considered include whether the project addresses the most urgent needs of lower-income residents; the number and percentage of low-income Mountain View residents served; whether there is a realistic schedule indicating when the funds will be needed, when the project is to be implemented, and when the project will be completed; and whether the sponsor/agency has any other funds or funding commitments to assist in financing the proposed project (leveraging of funds).

At the March 1, 2018 hearing, the HRC heard presentations from the agencies seeking capital project funding. Because the CDBG funding requested exceeded the CDBG funding available, the HRC recommended to partially fund applications. With a 6-1 vote, the HRC made the following recommendations to Council for the remaining projects still under consideration. A table summarizing the recommendations follows the narrative below.

- **Partial CDBG funding, in the amount of \$192,000, and reserving all available capital project HOME funds, estimated at \$171,000, for the proposed new units at Shorebreeze Apartments.** Affordable housing is in high demand, and this project would add needed subsidized units to the City's housing stock. Use of HOME funds for this project would enable the City to commit all of the available funds and comply with HOME's two-year deadline and comply with HOME's 15 percent CHDO set-aside requirement. HOME funding for new units at Shorebreeze Apartments is consistent with prior Council action to use the federal funds for new affordable development projects, and to approve the Shorebreeze project in January 2018. This project would help address Consolidated Plan Goal No. 1: Support affordable housing for lower-income and special-needs households. In addition, this project would address Council's own goal to increase the quantity of affordable housing in the City. The project would address one of the most urgent needs of lower-income residents in the City by providing 50 additional subsidized rental units, potentially serving many Mountain View residents and families, as two- and three-bedroom units are proposed. MidPen Housing has produced many affordable housing developments in the City and around the region, and the project's schedule, cost, and leveraging of funds are factors that make it a strong proposal. Additionally, funding this large development would more effectively help the City to meet the CDBG expenditure requirement as larger expenditures would be made than would occur with smaller projects.
- **Partial funding for the proposed accessibility modifications at Hope's Corner, Inc., in the amount of \$120,000 in CDBG funds.** This project would support Consolidated Plan Goal No. 3: supporting activities that provide basic needs to special-needs populations such as the homeless and disabled. The Hope's Corner

facility is located in downtown Mountain View, a central location that homeless and special-needs populations visit to and obtain meals, showers, and shelter. The project would help address the need to provide basic services to special-needs populations as it would improve access to a core facility that provides an array of services to them. The project's need, schedule, leveraging of funds, and the potential number of Mountain View clients served are key assessment factors that were considered in the recommendation for funding. The project would be able to successfully proceed taking into account the timing of when the CDBG funds are estimated to be available, given that there are several funding sources being leveraged, and it would also help meet the CDBG expenditure requirement as it allows for a larger expenditure than would be possible with smaller projects.

- **Partial funding for RTP's Safe at Home program with \$20,000 in CDBG funds.** RTP's Safe at Home program has been operating for four years in Mountain View and over seven years in San Mateo County. There is steady demand for the program, which specifically serves lower-income senior and disabled households who typically have limited incomes but need basic maintenance services, rehabilitation, and accessibility modifications for their units. The neighborhood improvements would help support Consolidated Plan Goal No. 4: support programs and activities that strengthen neighborhoods. The project's need, history, schedule, leveraging of funds, and the number of Mountain View clients served are key assessment factors that were considered in the recommendation for funding.

The HRC’s capital project recommendations are summarized in Table 4 below:

**Table 4: HRC Recommendations for Fiscal Year 2018-19 Capital Projects**

Sponsor	Project	CDBG Funding Recommendations	HOME Funding Recommendations
Mid-Pen Housing	New Units at Shorebreeze Apartments	\$192,000	\$171,000
Hope’s Corner	Accessibility improvements at a facility serving the homeless/special needs populations	\$120,000	N/A
Rebuilding Together Peninsula (RTP)	Safe at Home Program (Minor home repair and accessibility modifications)	\$20,000	N/A
<b>Total</b>		<b>\$332,000</b>	<b>\$171,000</b>

**FISCAL IMPACT**

The recommended actions regarding the appropriation of CDBG and HOME funds to capital projects, public services, and administration will not impact the General Fund. Adoption of the Fiscal Year 2018-19 Action Plan will also not impact the General Fund as the document contains policies and programs for use of Federal CDBG and HOME funds.

There are public service agencies that are not eligible for CDBG funding which receive General Fund support and are reviewed with the CDBG/HOME funding cycle. Since this is the second year of the two-year funding cycle, the General Fund-supported agencies would typically receive funding in the same proportion and amounts as the Fiscal Year 2017-18 allocation. Final decisions regarding the General Fund public services budget will be made by the City Council during the annual City budget approval process.

**CONCLUSION**

The purpose of this hearing is for the City Council to consider Fiscal Year 2018-19 capital project funding requests, adoption of the Fiscal Year 2018-19 Action Plan, and to confirm Fiscal Year 2018-19 CDBG and HOME funding for administration and public services. After the Council makes final decisions, staff will, as necessary, amend the



Fiscal Year 2018-19 Action Plan and submit it to HUD for that agency's consideration prior to the required deadline.

### **ALTERNATIVES**

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

### **PUBLIC NOTICING**

A legal notice was published in the *San Jose Post Record* and display ads were published in the *Mountain View Voice*. Notices regarding this agenda item were sent to over 120 organizations and groups on the CDBG/HOME Interested Parties list, posted on the City's web page, and announced on Channel 26. A link to this report was provided to the HRC.

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- Attachments:
1. Summary of Fiscal Year 2018-19 CDBG and HOME Capital Project Funding Requests
  2. [Draft 2018-19 Action Plan](#)
  3. [March 1, 2018 Human Relations Commission Staff Report](#)
  4. [March 1, 2018 Human Relations Commission Meeting Minutes](#)