



DATE: April 23, 2019

CATEGORY: Public Hearing

DEPT.: Community Development

TITLE: **Fiscal Year 2019-20 CDBG/HOME Funding Recommendations**

RECOMMENDATION

1. Allocate an estimated \$390,000 in Community Development Block Grant and \$180,000 in Home Investment Partnership Program funds to Fiscal Year 2019-20 capital projects as shown in Table 6 of this Council report.
2. Allocate the maximum allowable amount, currently estimated at \$90,000 in Community Development Block Grant funds and \$220,707 in General Fund moneys, as shown in Tables 3 and 4, respectively, to existing public service programs, with each agency receiving at least \$5,000.
3. Allocate the maximum allowable amount, currently estimated at \$120,000 in Community Development Block Grant and \$20,000 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 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.
5. Adopt the proposed amendment to the Fiscal Year 2018-19 Action Plan to revise the eligible activity for Hope's Corner from ADA accessibility improvements to use the awarded \$191,784 Community Development Block Grant funds for a fire sprinkler system and bathroom remodel.

6. Adopt the Fiscal Year 2019-20 Action Plan in Attachment 1 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) Fiscal Year (FY) 2019-20 Community Development Block Grant (CDBG) and General Fund public service recommendations and CDBG and Home Investment Partnership Program (HOME) capital project funding recommendations, adopt the City's FY 2018-19 Action Plan Amendment, and adopt the City's FY 2019-20 Action Plan. The HRC held its recommendations hearings on February 7, 2019 for Public Service applications and on March 7, 2019 for Capital Project applications and the FY 2018-19 Action Plan Amendment. The funding recommendations from those hearings are summarized later in this report.

All activities recommended for funding are consistent with the goal, objectives, and priorities as outlined in the City's 2015-2020 Consolidated Plan. The Consolidated Plan is the City's long-range plan for Federal funds. The Consolidated Plan identifies housing and community development needs, analyzes existing Federal resources, and establishes strategies and priorities for addressing the identified needs.

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 primarily 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. FY 2019-20 is the first year of the two-year cycle for public service agencies, so both public services and capital projects are being considered in this round of funding. Awarded activities will be summarized in the FY 2019-20 Annual 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 Annual 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 Annual Action Plan deadline to 60 days after the date

allocations are announced, or until August 16, 2019 (whichever comes first). In no case can a plan be submitted later than August 16, 2019. Failure to submit prior to August 16, 2019 would result in the automatic loss of FY 2019-20 CDBG funds. Once the allocations are known, staff recommends proportionately adjusting the awarded funding in the Action Plan if the actual allocation differs from the estimated amounts prior to submittal to HUD. HUD recommends submitting the Action Plan after the allocations are announced. So, while the Council is making recommendations on estimated amounts, prior to Action Plan submittal, staff will proportionally adjust the recommendations, if necessary, based on the actual allocation.

ANALYSIS

Overview of CDBG/HOME Funding

Since FY 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 FY 2017-18. The City did receive modest increases over the past two year. While the Federal Administration had proposed eliminating funding for both programs in FY 2019-20, similar to the previous fiscal year, the City received a greater amount last year than anticipated. Staff is proceeding with the CDBG funding process with the assumption that both CDBG and HOME programs will be budgeted at levels similar to the previous year.

CDBG National Objectives

The authorizing statute of the CDBG program requires that each activity funded, except for program administration and planning activities, must meet one of three national objectives as follows:

1. Benefit to low- and moderate-income (LMI) persons;
2. Aid in the prevention or elimination of slums or blight; and
3. Meet a need having a particular urgency (referred to as urgent need).

Consolidated Plan Goals

All applications were evaluated 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. In the Consolidated Plan, the Council adopted the following five goals:

Goal No. 1: Support affordable housing for lower-income and special-needs households.

Goal No. 2: Support activities to prevent and end homelessness.

Goal No. 3: Support activities that provide basic needs to lower-income households and special-needs populations.

Goal No. 4: Support programs and activities that strengthen neighborhoods.

Goal No. 5: Promote fair housing opportunities.

Assessment Factors

In addition, 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).

FY 2019-20 CDBG/HOME Funding

The estimated CDBG and HOME allocations are shown below in Table 1. The estimated CDBG and HOME allocations in FY 2019-20 are \$600,000 and \$200,000, respectively. The actual amount of unused funds from completed projects that could be reprogrammed to FY 2020-21 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 FY 2019-20

	Estimated CDBG Funds FY 2019-20	Estimated HOME Funds FY 2019-20
HUD Allocation	\$500,000	\$200,000
Reprogrammed Funds	-0-	-0-
Program Income	\$100,000	-0-
Available Funds	\$600,000	\$200,000

Roughly \$100,000 in CDBG program income is anticipated to be available for FY 2019-20. Program Income is funds received from loan payments from past CDBG loans, CDBG loan payoffs, etc. 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 (15 percent) in 2019-20 would be allocated to administration, while the maximum allowable amount of program income received in FY 2018-19 would be allocated to public services in FY 2019-20, in accordance with HUD regulations. The balance of program income received would be reserved for capital projects in FY 2019-20.

FY 2019-20 CDBG/HOME Uses

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 FY 2019-20 estimates for the allowable uses are shown in Table 2. HUD regulations allow jurisdictions to use 20 percent of the CDBG and 10 percent of the HOME allocation and program income for administration.

Table 2: FY 2019-20 CDBG and HOME Allowable Uses

FY 2019-20	CDBG Funds	HOME Funds
Administration (20%)	\$120,000	\$20,000
Public Services (15%)	90,000	N/A
Capital/Housing Projects Budget (65%)	390,000	180,000
Totals	\$600,000	\$200,000

CDBG/HOME Capital Project Funding

The majority of CDBG funding is devoted to capital projects. At least 65 percent of the funds must be used for capital projects. HOME funding not allocated for administration can only be used for affordable housing activities. Approximately \$390,000 in CDBG and \$180,000 in HOME funds is estimated to be available for FY 2019-20 capital projects. The City has received three CDBG funding requests, of which one is a combination CDBG/HOME application as shown below in Table 3.

HOME funding requires 15 percent of the annual HOME allocation, or \$30,000 in this estimate, to be set aside for Community Housing Development Organization (CHDO). None of the applicants are CHDOs. The applicant awarded the HOME funds would need to go through the CHDO approval process in order to receive the 15 percent CHDO set-aside. If the awarded applicant elects not to become a CHDO, that 15 percent set-aside would need to be reallocated for the next fiscal year or returned back to HUD.

General Fund Public Service Funding

The City uses General funds to support some agencies that are not eligible for CDBG funding. The budget for FY 2019-20 assumes the FY 2017-18 and FY 2018-19 base budget of \$220,724. However, the Council could decide to maintain or increase the amount as part of the budget process.

HRC Public Service Recommendations

CDBG Public Service Recommendations

Seven agencies requested \$112,199 in CDBG public service funding, which exceeds the estimated \$90,000 budget by \$22,199. Six of the seven requests were from existing agencies currently receiving CDBG public service funding (LifeMoves is a currently funded agency, but they were able to secure funding from other sources and did not apply for this round of CDBG funding). The remaining request is from an agency – Next Door Solutions to Domestic Violence – not currently funded. They were recommended to receive the \$5,000 in funding that LifeMoves was previously awarded.

Table 3 below lists the Public Service applications and the HRC's funding recommendations.

Table 3: FY 2019-20 CDBG Public Service Funding Requests

Request from Agencies Currently Funded	Purpose of Request	Requested FY 2019-20 CDBG Funding	HRC's Recommendations for FY 2019-20
Child Advocates of Silicon Valley	Provides volunteer advocates for children in the foster care system.	\$15,000	\$13,950
CSA – Homelessness Prevention and Homeless Services Program	Basic needs services, supplies, and assistance for the homeless and those at risk of homelessness.	\$33,194	\$28,194
CSA – Senior Case Management	Support services for seniors.	\$23,136	\$21,516
Senior Adults Legal Assistance	Legal assistance and referrals for seniors and disabled households.	\$10,000	\$9,300
SVILC	Housing placement assistance and referrals for disabled persons.	\$5,519	\$5,000
Vista	Case management for persons who are blind or visually impaired.	\$20,350	\$7,040
Subtotal for Existing Agency Requests		\$107,199	\$85,000
Request from New Agency	Purpose of Request	Requested FY 2019-20 CDBG Funding	HRC's Recommendations for FY 2019-20
Next Door Solutions to Domestic Violence	Services for victims of domestic abuse	\$5,000	\$5,000
Subtotal for New Agency Request		\$5,000	\$5,000
Total CDBG Funding Requested		\$112,199	\$90,000

General Fund Public Service Recommendations

All existing General Funded agencies, with the exception of LifeMoves, reapplied for funding. There were two new agencies seeking General Fund consideration, Housing and Economic Rights Advocate (HERA), and United Way. The total amount requested was \$275,734. This amount exceeds the estimated budget of \$220,724 by \$55,010. The agencies' funding requests are provided in Table 4.

Initially, staff had recommended funding to all the current agencies requesting funding at their existing 2018-19 funding levels, with United Way receiving LifeMoves' previous allocation of \$5,000. United Way was recommended for funding and HERA was not recommended for funding because United Way had previously received one-time funding from the City. HERA was a new application.

However, the HRC desired to provide HERA with funding. Table 4 summarizes the HRC's recommendations for General Fund public services.

Table 4 – Summary of General Fund Public Service Requests

Request from Agencies Currently Funded	Purpose of Request	Requested FY 2019-20 Funding	HRC's Recommendations for FY 2019-20
Catholic Charities	Long-Term Care Ombudsman Program.	\$8,000	\$7,800
CSA – Homelessness Prevention/Homeless Services Program	Basic needs services, supplies, and assistance for the homeless and those at risk of homelessness.	\$5,000	\$5,000
CSA – Senior Nutrition Program	Meals for seniors.	\$33,054	\$32,228
Community School of Music and Arts	Arts education programs for youth and low-income families.	\$25,000	\$15,103
Day Worker Center of Mountain View	Public outreach and education to day workers and the community.	\$25,000	\$19,500
Healthier Kids Foundation	Provide vision services to low-income children.	\$12,180	\$11,876
Junior Achievement of Silicon Valley and Monterey Bay	Financial literacy, work readiness, and entrepreneur skills for middle schoolers.	\$5,000	\$5,000
Mayview Community Health	Health care for uninsured and underinsured residents.	\$50,000	\$48,750
Parents Helping Parents	Support services and referrals to households with disabled children.	\$7,500	\$5,000
The Health Trust's Meals on Wheels Program	Meals and wellness services for homebound, disabled persons.	\$25,000	\$24,375
YWCA Domestic Violence Department/MAITRI	Shelter and support services for victims of domestic violence in Santa Clara County.	\$40,000	\$36,075
Subtotal for Existing Agency Requests		\$235,734	\$210,707

Request from New Agencies	Purpose of Request	Requested FY 2019-20 Funding	HRC's Recommendations for FY 2019-20
Housing and Economics Rights Advocates	Legal and Financial Counseling	\$30,000	\$5,000
United Way of the Bay Area	Information and referral services to food, shelter, health care, and other community services	\$10,000	\$5,000
Subtotal for New Agency Requests		\$40,000	\$10,000
Total General Fund Support Requested		\$275,734	
Total HRC General Fund Public Service Recommendations			\$220,707

HRC Capital Projects Recommendations

The City received three funding requests, two for CDBG only and one that is both CDBG- and HOME-eligible, as shown below in Table 5.

Table 5: 2019-20 Capital Project Funding Requests

Sponsor	Project	CDBG Funding Requested	HOME Funding Requested
Palo Alto Housing	Demolition and soft costs for the new construction of 70 affordable studio units at 950 West El Camino Real	\$470,000	\$180,000
Community Health Awareness Council	Replacement of HVAC system	\$99,847	N/A
City of Mountain View	Rengstorff Park Aquatics Center Replacement	\$500,000	N/A
Total Amount of Funds Requested		\$1,069,847	\$180,000
Estimated Amount of Funds Available		\$390,000	\$180,000

While there is only one HOME proposal that would use all of those funds, there are three CDBG proposals and not enough CDBG funds for all of those projects. The amount of CDBG funding requested exceeds the estimated available amount by about \$680,000, but partially funding the applications would leverage funds with other funding sources and help facilitate those projects to be executed.

HRC Capital Project Deliberations

At the March 7, 2019 hearing, the HRC heard presentations from the agencies seeking capital project funding. There were three applications requesting about \$1.25 million. Because the funding requested exceeded the funding available (\$390,000 in CDBG and \$180,000 in HOME funding), the HRC recommended to partially fund the applications. With a unanimous 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.

- **Palo Alto Housing, new affordable development at 950 West El Camino Real – Partial CDBG funding, in the amount of \$290,153, and reserving all available capital project HOME funds, estimated at \$180,000.** HOME funding for new units at 950 West El Camino Real, a project which will come before Council for consideration on April 30, 2019, is consistent with prior Council action to use the Federal funds for new affordable development projects. The original funding request was for \$650,000. The HOME funds will be used for demolition and other soft costs. 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. Sponsored by Palo Alto Housing, the project would address one of the most urgent needs of lower-income residents in the City by providing 70 additional subsidized rental units, potentially serving many Mountain View residents and families. As noted earlier in this report, HOME funding requires 15 percent of the annual HOME allocation, or \$30,000, to be set aside for Community Housing Development Organization (CHDO). PAH is not a CHDO. They would need to go through the process to form a CHDO or return the 15 percent, or \$30,000, of the HOME allocation.
- **Community Health Awareness Council (CHAC) clinic HVAC replacement – Full funding in the amount of \$99,847 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 CHAC facility is located at 590 West El Camino Real. The funding would be used for the replacement of the HVAC for the CHAC clinic. The clinic serves persons and

households in need of mental health services. Funding for the replacement would help CHAC maintain the clinic in good condition.

- **City of Mountain View Rengstorff Aquatics Center Rehabilitation—No funding.** The funding request was for \$500,000. The Rengstorff Aquatics Center Rehabilitation was not recommended for funding because the project may not meet one of the three National Objectives. Previously, Rengstorff Park was funded in FY 2014-15 for parking lot lighting improvements to improve safety and lessen crime and met the National Objective of elimination of slums and blight. However, since that time, the park has seen a number of improvements, so this application no longer meets HUD's definition of slums and blight. Regarding the objective to benefit low-income persons, HUD requires that at least 51 percent of the population that the activity serves meets that criteria. While the Aquatics Center is in a Census tract where approximately 60 percent of the households are low-income and with adjacent Census tracts containing Block Groups with low-income households making up more than 60 percent of the population, it must be taken into account that the Aquatics Center serves the entire City. Based on the latest Census data, while the City does have a significant percentage of households that are low- and moderate-income (37.5 percent of households Citywide data), it may still be difficult to meet the 51 percent threshold if more of the Aquatics Center's users are from a Citywide basis. The City also has the swim scholarship program which serves low-income households. While there was some data on the users of the swim scholarship program, it did not provide sufficient data to demonstrate meeting the National Objective. Since the rehabilitation of the Center will not commence for at least another year, it was suggested to the Community Services Department for the upcoming year to better document the use of the pool by low-income households through the swim scholarship program to clearly demonstrate the benefit to low-income households.

The HRC's capital project recommendations are summarized in Table 6 below:

Table 6: HRC Recommendations for FY 2019-20 Capital Projects

Sponsor	Project	CDBG Funding Recommendations	HOME Funding Recommendations
Palo Alto Housing	Demolition and soft costs for the new construction of 70 affordable studio units at 950 West El Camino Real	\$290,153	\$180,000
Community Health Awareness Council	Replacement of HVAC system	\$99,847	N/A
City of Mountain View	Rengstorff Park Aquatics Center Replacement	\$0	N/A
Total		\$390,000	\$180,000

2018-19 ANNUAL ACTION PLAN AMENDMENT

The City Council approved the 2018-19 Annual Action Plan on April 24, 2018, which included an allocation of \$191,784 to improve access to Hope's Corner, a facility that serves homeless, low-income persons and special-needs populations. The proposed work included removal of architectural barriers in the facility and the addition of ADA-compliant ramps.

At the same time, Hope's Corner received a \$1 million Google grant which could be accessed sooner than the CDBG funds. Therefore, the Google funds were used for the accessibility and ADA work. Staff met with the applicant to see if there was any additional work that could be performed at the facility that meets HUD requirements and City goals. It was determined that the CDBG funds could pay for the installation of a new fire sprinkler system and the rehabilitation of a bathroom. This would still meet the Consolidated Plan Goal No. 2 of preventing homelessness. It would also meet the National Objective of providing a benefit to low-income persons.

Per the City's Citizen Participation Plan, which is a HUD-required document for each jurisdiction to plan for citizen participation, any change in eligible activities is considered a "substantial amendment." The Plan states that citizens will be provided a minimum of 30 days to comment on the proposed changes prior to the changes being implemented.

The substantial amendment to the FY 2018-19 Annual Action Plan along with the FY 2019-20 Annual Action Plan was noticed on March 22, 2019, 31 days prior to the April 23, 2019 City Council meeting

On March 7, 2019, the HRC recommended approval of the FY 2018-19 Action Plan amendment for this change of activity. The recommended amount for this amendment will remain the same as the amount originally allocated to Hope's Corner.

FISCAL IMPACT

The recommended actions regarding the appropriation of CDBG and HOME funds to capital projects, public services, and administration fully appropriates the estimated CDBG and HOME allocation. Adoption of the FY 2019-20 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 which are recommended to receive General Fund support and are reviewed with the CDBG/HOME funding cycle. If approved, the \$220,707 would be budgeted from the General Fund. Because this is the first year of the two-year funding cycle, the General Fund-supported agencies would typically receive funding in the same proportion and amounts as the FY 2019-20 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 FY 2019-20 CDBG public service and capital project funding requests, General Fund public service requests, adoption of the FY 2018-19 Action Plan amendment and adoption of the FY 2019-20 Action Plan, and to confirm FY 2019-20 CDBG and HOME funding for administration and public services. After the Council makes its decision, staff will, as noted earlier, amend the FY 2019-20 Action Plan per the final CDBG allocations 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 a display ad was published in the *Mountain View Voice*. Notices regarding this agenda item were sent to 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.

Prepared by:

Tim Wong
Housing and Neighborhood Services
Manager

Approved by:

Aarti Shrivistava
Assistant City Manager/
Community Development Director

Reviewed by:

Wayne Chen
Assistant Community Development
Director

Daniel H. Rich
City Manager

TW/5/CAM
842-04-23-19CR
18659

- Attachments:
1. Draft 2019-20 Action Plan
 2. Summary of CDBG Public Service Applications
 3. Summary of General Fund Public Services
 4. Summary of Capital Project Applications
 5. 03-07-19 HRC Meeting Minutes Excerpt
 6. 02-07-19 HRC Meeting Minutes Excerpt