



MEMORANDUM

Community Development Department

DATE: June 19, 2018

TO: City Council

FROM: Yesenia Jimenez, Associate Planner, Affordable Housing
Vera Gil, Project Manager, Affordable Housing
Wayne Chen, Assistant Community Development Director

VIA: Daniel H. Rich, City Manager

SUBJECT: **CDBG/Home and MidPen Shorebreeze Funding**

BACKGROUND

The annual Community Development Block Grant Home Investment Partnership program (CDBG/HOME) funding cycle begins through the issuance of a Notice of Funding Availability (NOFA) in December for the following fiscal year program. Because the Federal Department of Housing and Urban Development (HUD) typically does not release the actual funding allocations until May or June, the NOFA uses the current fiscal year's funding amounts as an estimate of the following fiscal year's funding. In order to meet the City budget cycle and the HUD timeline for submittal of the Annual Action Plan, the CDBG/HOME public hearings and funding recommendations usually take place in March or April of each year. If the actual funding allocation differs from the estimates used for the funding recommendations, the funding amounts to organizations would subsequently be adjusted as authorized as part of City Council approvals.

ANALYSIS

On April 24, 2018, City Council reviewed the CDBG/HOME funding recommendations for the 2018-19 fiscal year that included partial funding for three organizations and no funding for one of the organizations (refer to Table 1 below). Council provided direction to reduce the recommended CDBG amount for MidPen Housing's Shorebreeze project and to consider using an alternate funding source for the project, and to explore funding several capital projects, Hope's Corner, Graduate House, and Rebuilding Together at the full request amount. On May 1, 2018, the City received official CDBG/HOME allocations from HUD which showed an increase of approximately 11 percent in CDBG and 48 percent in HOME funding. The increase resulted in \$536,360 in CDBG (\$56,360 increase from the original estimate of \$480,000) and \$281,994 in HOME (\$91,994 increase from the original estimate of \$190,000) available for allocation. CDBG funds may be used 20 percent for Administration, 15 percent for Public

Service Agencies, and 65 percent for Capital Improvement Projects, therefore funding for Capital Improvement Projects increased \$36,634. HOME funds may be used 10 percent for Administration and 90 percent for Capital Improvement Projects, therefore funding for Capital Improvement Projects increased \$82,795. This results in total additional Capital Improvement Project funding of \$119,429 which is being applied toward Shorebreeze. In addition, there is \$28,000 available for Capital Improvement Projects from reprogrammed funds as included in the original recommendation.

The table below shows what each capital improvement project has requested, the Human Relations Commission (HRC) recommendation, the Council Action on April 24th and adjustments made after the increased HUD allocation was received on May 1st. Based on Council direction and the increase in HUD allocations, each of the capital improvement projects (excluding Shorebreeze) was able to be funded at the requested amounts, and additional CDBG and HOME funding was able to be provided for the Shorebreeze project. The proposed budget has provided up to \$121,000 in additional Housing Impact funding for the Shorebreeze project to close the remaining funding gap for the project. It is anticipated that only \$13,155 from the Housing Impact funds will be needed to address the gap between the HRC funding recommendations and the adjusted City Council funding allocations.

Table 1. Fiscal Year 2018-19 CDBG/HOME Amounts
Requested, Recommended, and Final Allocation

Capital Projects	CDBG Requested	HOME Requested	CDBG HRC Rec.	HOME HRC Rec.	CDBG CC Action	HOME CC Action	CDBG HUD Allocation	HOME HUD Allocation
Mid-Pen Shorebreeze	\$480,000	\$190,000	\$192,000	\$171,000	\$51,416	\$171,000	\$96,050	\$253,795
Hope's Corner	\$191,784	-	\$120,000	-	\$191,784		\$191,784	-
Graduate House	\$58,800	-	-	-	\$58,800		\$58,800	
Rebuilding Together: Minor Home Repair	\$30,000	-	\$20,000	-	\$30,000		\$30,000	-
Total	\$760,584	\$190,000	\$332,000	\$171,000	\$332,000	\$171,000	\$376,634	\$253,795

DHR-WC-VG-YJ/1/CDD

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