



COUNCIL REPORT

DATE: April 23, 2024
CATEGORY: Public Hearing
DEPT.: Housing
TITLE: **Fiscal Year 2024-25 Federal Annual Action Plan**

RECOMMENDATION

1. Adopt the Fiscal Year 2024-25 Annual Action Plan for Community Development Block Grant and Home Investment Partnership Program funds (Attachment 1 to the Council report) and authorize the City Manager or designee to execute and submit any required forms and certifications to the U.S. Department of Housing and Urban Development.
2. Allocate approximately \$2,172,500 (\$1,080,000 of available Community Development Block Grant and \$1,092,500 of available Home Investment Partnership Program funds) for capital projects, including affordable housing projects.
3. Allocate \$180,000 in Community Development Block Grant funding to Rebuilding Together Peninsula for the minor home repair program.
4. Allocate \$278,724 from the General Fund for Fiscal Year 2024-25 for public service applicants recommended for funding as shown in Attachment 3.

BACKGROUND

The purpose of this public hearing is for the City Council to receive public input and make funding recommendations for annual expenditures of federal U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) and Home Investment Partnership Program (HOME) funds.

Each fiscal year, the City, as a federal “entitlement jurisdiction,” directly receives CDBG and HOME funds from HUD to invest in qualifying public service activities and capital projects in Mountain View. The City is required to develop Annual Action Plans (AAP) that identify the specific public services and capital projects that will be funded with CDBG and HOME. These public services and capital projects must align with the goals and priorities identified in the City’s federally required five-year Consolidated Plan (currently for the Fiscal Year 2020-2025 period). The Draft Fiscal Year 2024-25 AAP is found in Attachment 1.

The City funds public services on a two-year cycle. The process includes issuing a Notice of Funding Availability (NOFA) at the beginning of the two-year cycle, receiving and reviewing applications submitted by nonprofit organizations, and bringing the funding recommendations for the Human Relations Committee's (HRC) and Council's consideration. The amount of two-year funding available is based on the CDBG entitlement funds the City expects to receive each year supplemented by the prior year's CDBG Program Income. There is no NOFA process in the second year in the two-year cycle, and nonprofit organizations in good standing receive the same funding allocation as they did in the first year of the cycle. However, should the actual amount of CDBG funding received differ from the estimate, the funding for each organization is proportionately adjusted as needed. Fiscal Year 2024-25 is the second year in the current two-year cycle.

The City supplements the CDBG public services by providing an annual allocation from its General Fund. Per City policy, the use of the City's General Fund moneys directed to the public service agencies must still align with and further the goals and strategies in the City's Federal Consolidated Plan. These agencies provide services to low-income seniors, disabled persons, youth, families, and at-risk persons; however, their programs may not necessarily qualify for CDBG funding.

The total federal funding available for the Fiscal Year 2024-25 AAP is approximately \$2,172,500, which will be used to fund the second year of the public services cycle, one capital project, and administration costs. The total General Fund available is \$278,724 for public services. Below is a breakdown and summary of the funding and uses.

FISCAL YEAR 2024-25 CDBG AND HOME FUNDING SOURCES AND ANTICIPATED AMOUNTS

This section of the report summarizes the CDBG and HOME funding sources and anticipated amounts, including Fiscal Year 2024-25 allocations, unallocated funds from prior years, and Program Income (PI).

- **Fiscal Year 2024-25 CDBG Allocation**

For Fiscal Year 2024-25, staff estimates that the City's CDBG funding allocation will be approximately \$610,000.

- **Fiscal Year 2024-25 HOME Allocation**

For Fiscal Year 2024-25, staff estimates that the City's HOME funding allocation will be approximately \$285,000.

- **Unallocated Funds**

In addition to the estimated funding, the City periodically receives PI from past projects that have received CDBG and/or HOME funding. These are typically affordable housing projects that are repaying an affordable housing loan from the City that included federal funding. The frequency and amount of PI fluctuates year to year.

In recent years, the City has received relatively large amounts of PI. For Fiscal Year 2023-24, the City has received \$566,062 in CDBG PI and \$823,604 in HOME PI to date. Of this amount, \$250,000 in CDBG PI and \$200,000 in HOME PI were already allocated as part of last year’s AAP. Additionally, the City has funds from prior years that were allocated towards administration but went unspent. The Fiscal Year 2023-24 unallocated PI and other unspent funds are outlined in Table 1 below as “prior year uncommitted funds.”

- **Anticipated Program Income**

Finally, given the increase in PI received over the past several years, staff recommends including an estimated \$250,000 in CDBG PI and \$500,000 in HOME PI anticipated to be received in the coming fiscal year. Any PI received that is above the anticipated amounts will be directed to affordable housing projects. Staff will remain conservative when identifying affordable housing and project expenditures to ensure that there is no funding gap.

Table 1 below summarizes the total amount of funding available (\$2,632,000) for the Fiscal Year 2024-25 Annual Action Plan, which includes the CDBG and HOME allocation, unallocated funds, and anticipated PI.

Table 1: Funding Sources and Anticipated Amounts for Fiscal Year 2024-25

Type	CDBG	HOME
Anticipated 2024 Allocation	\$610,000	\$285,000
Prior Year Uncommitted Funds	651,000	336,000
Anticipated Program Income (PI)	250,000	500,000
Total Amount Available	\$1,511,000	\$1,121,000
TOTAL CDBG + HOME	\$2,632,000	

FISCAL YEAR 2024-25 RECOMMENDED EXPENDITURES

Table 2 below summarizes staff’s recommended expenditures based on the estimated funding available shown in Table 1. The recommended expenditures will be discussed in further detail in the Analysis section.

Table 2: Recommended Federal Expenditures for Fiscal Year 2024-25 Annual Action Plan

Proposed Use	CDBG	HOME	Total
Administration	\$122,000	\$28,500	\$150,500
Public Services	128,968	—	128,968
Capital Projects	1,080,000	1,092,500	2,172,500
Minor Home Repair	180,000	—	180,000
TOTAL	\$1,510,968	\$1,121,000	\$2,631,968

A maximum of 15% of the CDBG allocation (estimated \$610,000) may be granted to public service activities, which is approximately \$91,500. In addition, 15% of the CDBG Program Income (PI) that is received in the prior fiscal year may also be granted to public service activities. Using this formula, City staff recommends a public service budget of \$91,500 from the estimated allocation, supplemented by \$37,468 from Fiscal Year 2023-24 Program Income, in order to match the \$128,968 Fiscal Year 2024-25 commitment.

Further, up to 20% of the CDBG allocation may be reserved for administration (\$122,000); and the remainder can be used for affordable housing/capital projects (\$1,080,000) and minor home repairs (\$180,000).

HOME funding permits up to 10% of the allocation for administration (\$28,500), and the remainder may be used for affordable housing/capital projects (\$1,092,500).

Staff further recommends continuing to provide \$278,724 in General Fund funding to the ten public service agencies in Fiscal Year 2024-25, as outlined above.

ANALYSIS

CDBG Public Services

Per the discussion regarding public services in the Background section of this report, the Fiscal Year 2023-24 AAP was the first year of the current two-year cycle, which includes HRC-recommended and City Council-approved public services. This Fiscal Year 2024-25 AAP process is in the second year of the two-year cycle. The activities, agencies, and funding levels for each

program were already determined last year during the Fiscal Year 2023-24 AAP process. Therefore, the public service budget remains at \$128,968, funding seven public service agencies (see Attachment 2). These projects and funding levels will be included in the Fiscal Year 2024-25 AAP.

Capital Projects

The City has historically issued annual CDBG/HOME NOFAs for capital projects. Capital funding in the past has been used for affordable housing developments, renovations of nonprofit buildings, and sidewalk improvements. As discussed at its October 5, 2023, the HRC supported staff's recommendation to continue to directly allocate funding for capital projects instead of through a NOFA process due to the challenges of identifying an eligible project and administering the federal funds, as well as the need for funding to advance the City's affordable housing pipeline.

Therefore, for Fiscal Year 2024-25, staff recommends allocating \$1,080,000 in CDBG funds and \$1,092,500 in HOME funds to the City's affordable housing project pipeline. A specific project will be identified and funding will be directly allocated to the project during the Fiscal Year 2024-25 AAP period. The HRC unanimously supported this recommendation during its April 4, 2024 meeting.

Minor Home Repair

In the Fiscal Year 2023-24 funding cycle, Rebuilding Together Peninsula (RTP) was selected to implement a Minor Home Repair program which had been paused over the last few years, in part due to the COVID-19 pandemic. During the Fiscal Year 2023-24 Annual Action Plan process, the HRC recommended, and Council approved, allocating \$30,000 of CDBG capital project funding for RTP to assist low-moderate income homeowners with minor home repairs with grants of up to \$5,000 per household. This grant amount was based on the funding thresholds before the program was paused in 2019. At its October 5, 2023 meeting, the HRC recommended that staff work with RTP to evaluate opportunities to increase the grant amount per household.

Following the approval of the Fiscal Year 2023-24 AAP, RTP has served five households and is on track to fully expend all of the \$30,000 allocation providing services to eligible residents. Additionally, RTP has shared initial feedback that due to the scope of repairs, economic impacts of inflation, and increased labor costs, the grant amount of \$5,000 creates challenges to completing needed repairs and projects. Namely, the \$5,000 cap per home limits RTP to performing basic health and safety repairs (e.g., grab bar and ramp installations, lighting repairs, minor electrical, minor carpentry, etc.) and, usually, just one of these types of repairs can be funded. Additionally, it limits repairs like plumbing or electrical to just one subcontractor, which often leaves multiple other requested repairs unaddressed. Increased grant amounts will expand improvements to include subsidized roofing repairs and replacements, accessibility conversions

(e.g., replacing a tub with a walk-in shower, replumbing, furnace replacement, etc.), and larger, volunteer-led projects like painting and landscaping. Increasing the grant cap to \$15,000 per household will allow for a meaningful increase in the number of repairs/projects that can be performed to meet the diverse needs of the community and will provide some flexibility to respond to household needs on a case-by-case basis.

RTP has confirmed that it has the capacity to double the number of households that they can serve (increasing from six to approximately 12 households) and can implement an expanded number of repair work at a \$15,000 per household limit (with some flexibility) in Fiscal Year 2024-25.

Therefore, for Fiscal Year 2024-25, staff recommends increasing funding for RTP from \$30,000 to \$180,000, increasing the grant limit to \$15,000 per household, and increasing the number of households served from six to 12. The HRC unanimously supported this recommendation during its April 4, 2024 meeting.

General Fund Public Services

The General Fund public service activities are also funded on a two-year cycle along with the CDBG public service activities. There is an ongoing \$171,000 in the City's base budget to fund public services with the General Fund.

During the Fiscal Year 2023-24 process, the City received 10 funding requests totaling \$278,724. At the April 25, 2023 Public Hearing, Council recommended funding from the federal American Rescue Plan Act (ARPA) of 2021 to supplement the existing \$171,000 General Fund amount to fully fund all of the requests for Fiscal Year 2023-24 and to maintain the same funding levels for Fiscal Year 2024-25 depending on if there is sufficient General Fund available. Staff confirmed there would be sufficient General Fund availability.

No changes to the funding amounts awarded to the public service agencies are proposed. See Attachment 3 for a summary of staff's recommended Fiscal Year 2024-25 General Fund public service activities and expenditures based on the funding provided in Fiscal Year 2023-24.

HUMAN RELATIONS COMMISSION

As noted above, the HRC provided input during its October 2023 regarding funding considerations for the Fiscal Year 2024-25 AAP. During its April 4, 2024 meeting, the HRC heard staff's funding recommendations. One public speaker, a representative from Rebuilding Together Peninsula, provided comment on the number of community members in need and the aging housing stock in the region and that the staff-recommended increased grant amounts will provide funding for some much-needed home repairs.

The Commissioners unanimously recommended that Council approve the funding recommendations and the Fiscal Year 2024-25 Annual Action Plan.

FISCAL IMPACT

Approval of the Fiscal Year 2024-25 Annual Action Plan will not impact the General Fund. General Funds, however, required to provide ten grants to public service agencies. The funding from the General Fund will be included in the Fiscal Year 2024-25 Recommended Budget for Council to review in June 2024.

CONCLUSION

Staff recommends that Council accept the funding recommendations regarding the Fiscal Year 2024-25 AAP for CDBG and HOME funds for public service agencies, capital projects, including affordable housing initiatives, and the minor home repair program; and for the General Fund public service agencies. These funding recommendations advance the City's Consolidated Plan goals and demonstrate its commitment to addressing community needs, fostering affordable housing, and enhancing the quality of life for its residents.

ALTERNATIVES

1. Provide other funding recommendations.
2. Provide other direction.

PUBLIC NOTICING

The Fiscal Year 2024-25 AAP was posted on the City website at mountainview.gov/our-city/departments/housing on March 22, 2024. Advertisements of the opening of the public comment period were placed in the *Mountain View Voice* and *Palo Alto Daily Post*, with links to the same notice in Spanish, Russian, and Chinese. Notices were also sent to the CDBG interest list per the City's Citizen Participation Plan.

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- Attachments:
1. Draft Fiscal Year 2024-25 Annual Action Plan
 2. FY 2024-25 Public Services Allocations
 3. General Fund Public Service Grant Amounts