

DATE: April 4, 2024

TO: Human Relations Commission

FROM: Julie Barnard, Affordable Housing Manager
Wayne Chen, Housing Director

SUBJECT: **Funding Recommendations for Fiscal Year 2024-25 Annual Action Plan**

RECOMMENDATION

That the Human Relations Commission make the following recommendations for City Council consideration regarding the City's Fiscal Year 2024-25 Annual Action Plan:

1. Adopt the Fiscal Year 2024-25 Annual Action Plan for Community Development Block Grant and Home Investment Partnership Program funds, as shown in Attachment 1.
2. Allocate approximately \$2,130,000 (\$1,080,000 of available Community Development Block Grant and \$1,050,000 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.

BACKGROUND

The purpose of this public hearing is for the Human Relations Commission (HRC) to receive public input and make funding recommendations to the City Council regarding 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 City funds public services on a two-year cycle. The process includes issuing of 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 HRC's 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 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. A maximum of 15% of the entitlement may be granted to public service activities (approximately \$90,000); up to 20% may be reserved for administration (\$120,000); and the remainder can be used for affordable housing/capital projects (\$400,000).

In addition to the 15% public service activities budget drawn from the entitlement, jurisdictions may supplement a further 15% of their funding allocation using Program Income (PI) that is received in the prior fiscal year. Using this formula, City staff recommends a public service budget of \$128,968 for FY 24-25, discussed further below.

- **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. A maximum of 10% can be budgeted for administration (\$28,500) and the remainder must be spend on affordable housing projects (\$256,500).

- **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 was 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.

Summary Table

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 Expenditures for Fiscal Year 2024-25 Annual Action Plan

Proposed Use	CDBG	HOME	Total
Administration	\$122,000	\$ 71,000	\$ 193,000
Public Services	128,968	—	128,968
Capital Projects	1,080,000	1,050,000	2,130,000
Minor Home Repair	180,000	—	180,000
Total	\$1,510,968	\$1,121,000	\$2,631,968

ANALYSIS**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. 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 NOFAs for capital projects to be funded with CDBG and HOME moneys. Capital funding in the past has been used for affordable housing developments, renovations of nonprofit buildings, and public works projects or sidewalk improvements. As discussed and approved at the October 5, 2023 meeting of the Human Relations Commission, staff recommends allocating \$1,080,000 in CDBG funds and \$1,050,000 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.

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 approximately low-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 the October 5, 2023, HRC Regular Meeting, the HRC also recommended staff work with RTP to evaluate opportunities to increase the grant amounts per household. For FY 2024-25, staff recommends increasing funding for RTP from \$30,000 to \$180,000 and increasing the grant amount to approximately \$15,000 per household.

Since 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.

The \$5,000 cap per home limits RTP to doing strictly basic health and safety repairs (e.g., grab bar and ramp installations, lighting repairs, minor electrical, minor carpentry) and, usually, just one of these types of repairs. 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, 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. It is recommended that to \$15,000 per household limit have some flexibility built in 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 FY 2024-25. Staff recommends that the HRC increase the recommended expenditures amount for the minor home repair program in order to better provide this enhanced level of service to the community.

PUBLIC NOTICING

The Fiscal Year 2024-25 Annual Action Plan 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.

NEXT STEPS

Staff will bring the HRC's recommendations to the City Council for consideration and approval on April 23, 2024. Following Council adoption, the Fiscal Year 2024-25 Annual Action Plan will be submitted to HUD by the required deadline.

~~JB-WC/1/HSN~~

~~821-04-04-24M~~

- Attachments:
1. Fiscal Year 2024-25 Draft Annual Action Plan
 2. Fiscal Year 2024-25 Public Services Allocations