

**EXECUTIVE SUMMARY SHEET  
CITY OF SAN DIEGO**

ATTENTION: Honorable Councilmember Emerald and Members of the  
Committee on Public Safety and Neighborhood Services  
ORIGINATING DEPARTMENT: Development Services Department/Economic Development  
Division  
SUBJECT: Neighborhood Revitalization Strategy Areas (NRSAs)  
COUNCIL DISTRICTS: Citywide  
CONTACT/PHONE NUMBER: Eliana Barreiros/619-533-6510

THIS IS AN INFORMATION ITEM.

EXECUTIVE SUMMARY:

The Neighborhood Revitalization Strategy Area (NRSA) Program was established by the Department of Housing and Urban Development (HUD) to encourage local governments to focus some of their Community Development Block Grant (CDBG) funding on highly distressed neighborhoods. In return, cities are to develop a detailed revitalization plan that leverages public and private resources in a mutually supportive way to achieve substantial improvement in the targeted area through the pooling of varied resources.

As an incentive for cities to pursue these revitalization strategies, HUD removes the 15% cap on public services from CDBG moneys within NRSA (provided these are carried out by Community-Based Development Organization) and offers other regulatory flexibility in reporting requirements.

In accordance with HUD standards, NRSA “must identify long-term and short-term objectives (e.g., physical improvements, social initiatives and economic empowerment), the jurisdiction expects to achieve.” NRSA must include the following:

- data to substantiate the HUD criteria has been met;
- a description of the process followed to arrive at the NRSA (which demonstrates the strategy was developed in collaboration with the neighborhood’s stakeholders: residents, the business community, non-profit organizations, HUD and other pertinent agencies);
- a comprehensive assessment of the area describing its overall economic conditions, impediments to investments as well as opportunities for revitalization and job creation;
- a realistic development strategy and implementation plan; and,
- tangible achievements that would result from the implementation of the NRSA.

NRSAs are developed locally and then submitted to HUD for their review and approval as part of the adoption of the Consolidated Plan process or as an amendment to a Consolidated Plan already in place. HUD's review focuses on the probability that the planned actions will yield economic revitalization and the extent to which the strategy reflects coordination with other public and private resources.

The City of San Diego FY 2010 – FY 2014 Consolidated Plan (Con Plan) calls for the City to consider the establishment of an NRSA as a means to “jump start” revitalization in low to

moderate income neighborhoods (pg. 22). The development of an NRSA demands a fairly sizable commitment of staff time and resources. Staff has not been able to pursue to date given its priority to implement the CDBG Program reforms adopted by City Council to ensure compliance with HUD regulations. However, given the dissolution of Redevelopment Agencies (RDAs) earlier this year, the pursuit of NRSA's has become more imperative. While the CDBG resources that could be devoted to implementation of an NRSA generally pale in comparison to the funding that redevelopment yielded, NRSA's may provide one of several tools that may be used to fill the gap left by elimination of RDAs.

At the request of Council, the Economic Development Division has begun to research NRSA's focusing on applicable regulations and the process required for their designation. The Division aims to begin collecting and mapping demographic data as a next step in order to identify areas that meet the NRSA criteria. The Division also seeks input from Council Members regarding specific neighborhoods that should be included in this analysis. Upon completion of this effort, information on the areas that meet the NRSA criteria would be presented to the Consolidated Plan Advisory Board (CPAB) for their input and suggestions regarding next steps at one of their regularly scheduled meetings. The CPAB is the designated advisory body to the Mayor and City Council on policy issues related to the Con Plan and the allocation of CDBG funds. Following the CPAB meeting, staff would present this information to the Public Safety and Neighborhood Services Council Committee for their direction.

FISCAL CONSIDERATIONS: None.

EQUAL OPPORTUNITY CONTRACTING: Not applicable with this action.

ENVIRONMENTAL IMPACT: This activity will not result in a direct or reasonably foreseeable indirect physical change in the environment, and is not subject to CEQA pursuant to CEQA Guidelines Section 15060(c)(2).

PREVIOUS COUNCIL and/or COMMITTEE ACTION: None.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: An overview of the HUD Neighborhood Revitalization Strategy Areas (NRSA) was presented to the Consolidated Plan Advisory Board during its regularly scheduled monthly meeting of August 8, 2012.

KEY STAKEHOLDERS AND PROJECTED IMPACTS: Residents of low and moderate income communities; community based organizations; community planning groups; and other community development organizations.

- Attachments:
1. HUD Notice CPD 96-01: CDBG Neighborhood Revitalization Strategies
  2. Community-Based Development Organization Criteria, 24 CFR 570.204(c)
  3. Map 1: City Council Districts & LMI Census Tracts
  4. Map 2: Community Planning Areas & LMI Census Tracts

U.S. Department of Housing and Urban Development

COMMUNITY PLANNING AND DEVELOPMENT

Special Attention of:

Notice CPD-96-01

CPD FIELD OFFICE DIRECTORS  
CDBG ENTITLEMENT GRANTEEES  
HBCU GRANTEEES  
JOHN HEINZ NEIGHBORHOOD DEVELOPMENT  
PROGRAM GRANTEEES

Issued: January 16, 1966

Expires: January 16, 1997\*

*\*Effective as of October 2012 per HUD official*

Cross References: 24 CFR Parts 91 and 570

Subject: CDBG NEIGHBORHOOD REVITALIZATION

STRATEGIES PURPOSE

This Notice outlines HUD's criteria for approving a jurisdiction's neighborhood revitalization strategy as described in the Consolidated Plan regulations at Sec. [91.215\(e\)\(2\)](#). It describes the process for submission of the strategy, amending the strategy, and measuring, reviewing, and reporting on performance against the strategy.

In recent years, HUD's Office of Community Planning and Development (CPD) has stressed a coordinated marshalling of resources to facilitate grantees' ability to engage in comprehensive community revitalization strategies. Comprehensive community revitalization strategies seek to create partnerships among federal and local governments, the private sector, community organizations and neighborhood residents. The Department seeks to create communities of opportunity in distressed neighborhoods by stimulating the reinvestment of human and economic capital and by economically empowering low-income residents.

The Department recognizes the fundamental necessity of partnering in problem-solving in order to achieve much greater success in our urban revitalization efforts. Many citizens, unhappy with their residential environments, have generally had three options available to them: pack up and move to a more satisfactory environment; change the unsatisfactory aspects of their communities; or stoically accept their living conditions.

DGBE: Distribution: W-3-1, Special (ALL CDBG ENTITLEMENT GRANTEEES)

The continuing decline and widespread disinvestment in so many of our cities and counties and the spill-over effects in the surrounding communities point to a need for a different approach to rebuilding communities. HUD believes that no effort will succeed without the support of all of the community actors. Successful neighborhood revitalization strategies are those that bring together the neighborhood's and the larger community's stakeholders to forge partnerships that:

- o obtain commitments to neighborhood building;
- o make neighborhoods attractive for investments, thereby creating a market for profits;
- o generate neighborhood participation to ensure that the benefits of economic activity are reinvested in the neighborhood for long-term community development;
- o support the use of neighborhood intermediary institutions (e.g., Community Development Corporations [CDCs], Community Development Financial Institutions [CDFIs], community housing development organizations [CHDOs under the HOME program], and religious institutions) to bridge gaps between local government agencies, the business community, community groups, and residents; and
- o foster the growth of resident-based initiatives to identify and address their housing, economic and human services needs.

The participation of all of the stakeholders, particularly the neighborhood's residents, in the development of a comprehensive neighborhood revitalization strategy enhances the chances of its successful implementation by bringing all of the affected parties into the process from the beginning, thus gaining participants' trust and garnering needed financial support. This approach also recognizes that the complexity of the causes of neighborhood decline requires a multi-pronged coordinated approach. The value of this approach has been borne out in the strategic planning process that many communities participated in during the development of their federal Empowerment Zone applications.

#### REGULATORY FRAMEWORK AND INCENTIVES

HUD is encouraging Community Development Block Grant (CDBG) entitlement grantees to develop comprehensive neighborhood revitalization strategies. The submission of such a strategy is described in the regulations at [24 CFR 91](#) which cover a consolidated submission for CPD programs although separate approval is required for the revitalization strategy. The Department seeks to stimulate the development of revitalization strategies by offering certain incentives for entitlement cities and urban counties. These incentives are described in amendments to the CDBG regulations at [24 CFR 570](#) which were published in the Federal Register on January 5, 1995, and updated in the Final rule changes published in the November 9, 1995, Federal Register. They are as follows:

(1) Job Creation/Retention as Low/Moderate Income Area Benefit: Job creation/retention activities undertaken pursuant to the strategy may be qualified as meeting area benefit requirements, thus eliminating the need for a business to track the income of persons that take, or are considered for, such jobs (24 CFR 570.208(a)(1)(vii) and (d)(5)(i));

(2) Aggregation of Housing Units: Housing units assisted pursuant to the strategy may be considered to be part of a single structure for purposes of applying the low-and moderate-income national objective criteria, thus providing greater flexibility to carry out housing programs that revitalize a neighborhood (24 CFR 570.208(a)(3) and (d)(5)(ii));

(3) Aggregate Public Benefit Standard Exemption: Economic development activities carried out under the strategy may, at the grantee's option, be exempt from the aggregate public benefit standards, thus increasing a grantee's flexibility for program design as well as reducing its record-keeping requirements (24 CFR 570.209 (b)(2)(v)(L) and (M)); and

(4) Public Service Cap Exemption: Public services carried out pursuant to the strategy by a Community-Based Development Organization will be exempt from the public service cap (24 CFR 570.204(b)(2)(ii)).

The strategy shall also be implemented in accordance with the civil rights-related program requirements stated in the Consolidated Plan rule at 24 CFR Part 91.

#### CONTENTS OF THE NEIGHBORHOOD REVITALIZATION STRATEGY

A grantee's strategy should be designed to provide for the economic empowerment of the low- and moderate-income residents of a particular neighborhood and other long-term improvements within a reasonable period of time. Therefore, the strategy should clearly describe how it meets the following criteria:

- (1) Boundaries: The grantee has identified the neighborhood's boundaries for which the strategy applies. All areas within those boundaries must be contiguous.
- (2) Demographic Criteria: The designated area must be primarily residential and contain a percentage of low- and moderate-income residents that is equal to the "upper quartile percentage" (as computed by HUD pursuant to 24 CFR 570.208(a)(1)(ii)) or 70 percent, whichever is less but, in any event, not less than 51 percent;

- (3) Consultation: The grantee must describe how the strategy was developed in consultation with the area's stakeholders, including residents, owners/operators of businesses and Financial institutions, non-profit organizations, and community groups that are in or serve the neighborhood;
- (4) Assessment: The strategy must include an assessment of the economic conditions of the area and an examination of the opportunities for economic development improvement and the problems likely to be encountered;
- (5) Economic Empowerment: There must be a realistic development strategy and implementation plan to promote the area's economic progress focusing on activities to create meaningful jobs for the unemployed and low- and moderate-income residents of the area (including jobs created by HUD-assisted efforts) as well as activities to promote the substantial revitalization of the neighborhood; and
- (6) Performance Measurements: The strategy must identify the results (e.g., physical improvements, social initiatives and economic empowerment) expected to be achieved, expressing them in terms that are readily measurable. This will be in the form of "benchmarks."

#### LEVEL OF DETAIL

In order to avoid an unnecessary burden for the grantee in describing its strategy in the Consolidated Plan, the grantee may refer to specific portions of other documents that HUD has access to for this purpose. The grantee will only need to provide additional information to the extent that sufficient detail is not already contained in such existing documents in order that HUD may determine that each of the criteria in the "Contents" section of this Notice has been met.

Since the grantee's HUD CPD Field Office representative will review the neighborhood strategy submission, the grantee should consult with its HUD representative to discuss what existing documents and information the grantee will be relying on for its submission and what additional information HUD will need to make this approval.

While the grantee need not formally commit itself to the use of CDBG funds (or other resources it expects to receive from HUD) for future years, it will need to show in each year's Action Plan the specific activities it plans to assist with any of the HUD formula program funds covered in the Consolidated Plan for that year, clearly identifying those that it will apply in pursuit of its strategy to revitalize the area.

## HUD PARTNERSHIP APPROVAL PROCESS

HUD expects to approve neighborhood revitalization strategies that are submitted by a CDBG grantee as part of its Consolidated Plan, or an amendment, if the proposed strategy describes how it will meet the criteria outlined in the "Contents" section above.

Any Federally-designated Empowerment Zone (EZ) or Enterprise Community (EC) located within an entitlement community will be presumed by the HUD CPD Field Office to meet the above criteria and will be approved by HUD, at the request of the grantee, without further review. Those entitlement grantees that submitted applications for designation as an EZ or EC but did not receive a designation should be able to meet these criteria, but may not yet have developed the necessary benchmarks.

Grantees and their HUD CPD field office representatives should work together in developing revitalization strategies that meet these guidelines. HUD's review of strategies shall place particular importance on the grantee's capacity, the likelihood that the planned actions will result in economic revitalization, and the extent to which the strategy reflects coordination with other public and private resources. HUD encourages innovative and creative strategies that promote the active and meaningful participation of the stakeholders throughout the development and implementation of the plan because HUD is interested in strategies that not only will successfully revitalize the neighborhood but will also economically empower its residents.

In the event HUD believes that a grantee's submission is unlikely to achieve measurable progress in addressing the needs of the neighborhood, HUD will provide necessary technical assistance to the grantee to try to arrive at a consensus of what would constitute a "reasonable" strategy given the needs of the neighborhood and level of resources available. If after such technical assistance, HUD and the grantee remain apart in their assessment of what is a realistic strategy, HUD has the option of not approving the strategy.

The strategy may be submitted as part of the grantee's Consolidated Plan or may be submitted as an amendment to it. When applicable, HUD's approval of the jurisdiction's Consolidated Plan will also state its approval of the revitalization strategy. HUD will not hold up approval of the Consolidated Plan if the revitalization strategy cannot be concurrently approved without delaying the funding of the grant programs covered by the plan. In any event, HUD's approval of a strategy for this purpose must be expressly stated.

## PERFORMANCE MEASUREMENTS - BASELINES AND BENCHMARKS

HUD expects to approve strategies that will achieve substantial improvements in the delineated neighborhood area and will create meaningful levels of economic opportunities for residents during the time frame of that grantee's approved Consolidated Plan, generally a five year period. However, HUD does not require that a neighborhood be fully revitalized

within that five year period, but that the level of improvements will be substantial. Once HUD approves a revitalization strategy, the grantee may assume that this approval is in effect for the full time period of the strategy, provided that both the grantee and HUD agree that reasonable progress is being made in its implementation. In order for HUD to be able to gauge the effectiveness of the strategy, the strategy will need to provide baseline needs information for the area and set benchmark projections initially indicating the results that it hopes to achieve in addressing those needs over the period it expects will be needed to revitalize the area. Actual performance information will need to be submitted on an ongoing basis.

The benchmarks for this pulse should be readily measurable and specific enough to show expected outputs by the grantee and should clearly represent positive steps toward the desired ultimate outcome: economic revitalization of the designated area. Each year following HUD's approval of the strategy, HUD will expect the grantee to identify in its Action Plan for that year the benchmark outputs the grantee expects to achieve by the end of that year.

The benchmarks should include measures of outputs expected to be achieved through the use of the HUD program funds together with other resources it plans to use in a coordinated fashion as part of the strategy. An example of outputs would be the number of new businesses formed or the reduction, by a certain number or percentage, of persons on welfare. Since the benchmarks are to reflect the expected level of accomplishments at the end of each program year, they must be measurable at such times.

#### PERFORMANCE REPORTING

The grantee will report progress against its benchmarks at the end of each program year. While the details of the new IDIS performance reporting system are not yet fully developed at this time, provision will be made in this system for the reporting of accomplishments, including performance against the grantee's own established benchmarks. For grantees with Federally-designated EZs or ECs that received HUD approval for a neighborhood revitalization strategy, reports that are required as part of the EZ/EC process shall suffice for purposes of reporting under this Notice.

#### PERFORMANCE REVIEW

HUD will review a grantee's progress at the end of each program year based upon information in the grantee's performance reports and, when appropriate, information from on-site monitoring.

If based on its reviews, HUD determines that progress towards achieving the expected improvements in the area is lagging substantially behind the projections, HUD may suspend/withdraw its approval of the strategy. During any period of suspension/withdrawal, the grantee would not be able to use the incentives provided under the CDBG regulations

discussed earlier in this Notice for expenditures that are contingent upon an approved strategy. If the grantee submits and HUD approves an amended strategy for the area that satisfactorily addresses the lack of performance, the grantee would again be able to avail itself of the authorized benefits.

#### AMENDMENTS

Because the neighborhood revitalization strategy is an element of the Consolidated Plan (albeit an optional one), it must be included with a jurisdiction's Consolidated Plan submission. When a jurisdiction makes a new Consolidated Plan submission in accordance with [24 CFR 91.15\(b\)\(2\)](#), usually every five years, the grantee will have to either: submit the prior HUD-approved strategy with a statement that there has been no change in the strategy (in which case, HUD approval for the existing strategy is not needed a second time) or submit a new or amended neighborhood revitalization strategy (for which separate HUD approval would be required). The criteria for purposes of any amendment(s) to neighborhood revitalization strategies are:

- O the criteria for Consolidated Plan amendments described at §91.505. It is presumed that these criteria would be applied whenever the conditions that existed at the time the strategy was developed have changed substantially (e.g., a decline in a dominant area industry, a natural disaster) or when a grantee determined that the strategy reflected in the HUD-approved plan was not working as well as it expected and it therefore wants to change its approach; or
- O whenever HUD suspends/withdraws approval (or advises the grantee that it is so considering) as a result of performance lagging substantially behind the benchmarks.

Grantees should follow the guidance provided in the "Level of Detail" section of this notice. Amended strategies are to be reviewed by HUD using the same criteria as apply to initial strategy submittals.

#### APPLICABILITY TO THE STATE CDBG PROGRAM

Currently, there are no comparable provisions in the State CDBG program regulations offering incentives for designation of revitalization areas. However, HUD is considering whether and how to add such provisions in the future. Comments and suggestions concerning this matter are welcomed and should be submitted to the CPD's State and Small Cities Office in Headquarters (202-708-1322).

Grantees that have questions and comments on other aspects of this Notice should contact their HUD CPD Field Office Representative. Field Offices should direct queries and comments to the Entitlement Communities Division in Headquarters (202-708-1577).

**Community Based Development Organizations (CBDOs)**  
**Title 24 CFR 570.204(c)**

All public services offered within a Neighborhood Revitalization Strategy Area (NRSA) and carried out as part of qualified projects under the NRSA by a Community Based Development Organization (CBDO) are exempt from the public services cap which limits public services expenditures to 15% of the CDBG allocation.

Per Title 24 CFR 570.204(c), in order to qualify as a CBDO:

(1) An organization that meets **all** of the following criteria:

- a. The organization was formed under state or local law with the purpose of engaging in community development activities within a defined geographic area [or neighborhood(s)];
- b. Its primary purpose is to improve the physical, economic or social conditions of its target area while focusing mainly in addressing the needs of low and moderate income residents;
- c. May be either a non-profit or for-profit as long as any profits are incidental to its function;
- d. At least 51% of the members of its governing board are:
  - i. Low to moderate income residents of its target geographic area; or,
  - ii. Owners or senior administrators of businesses located within the target geographic area; or,
  - iii. Representatives of low and moderate income neighborhood organizations serving the target neighborhood(s);
- e. Is not an agent or instrument of the City of San Diego;
- f. No more than one third of the members of its governing body are elected officials, public officials or employees or officials of an entity not eligible to receive CDBG funds;
- g. Except as noted above, new members of its governing body must be nominated and approved by the general membership of the organization or by the existing members of the governing body
- h. Is not subject to any requirement(s) that obligate the organization to revert its assets to the City of San Diego if the organization were to dissolve; and,
- i. It is free to contract for goods and services with vendors of its own choosing

(2) An organization that does not meet all of the criteria above, may be qualified if it meets **one** of the following criteria:

- a. The organization is formed in accordance with the section 301(d) of the Small Business Investment Act of 1958, as amended, and licensed as such by the Small Business Administration (SBA). These are generally for-profit or non-profit small

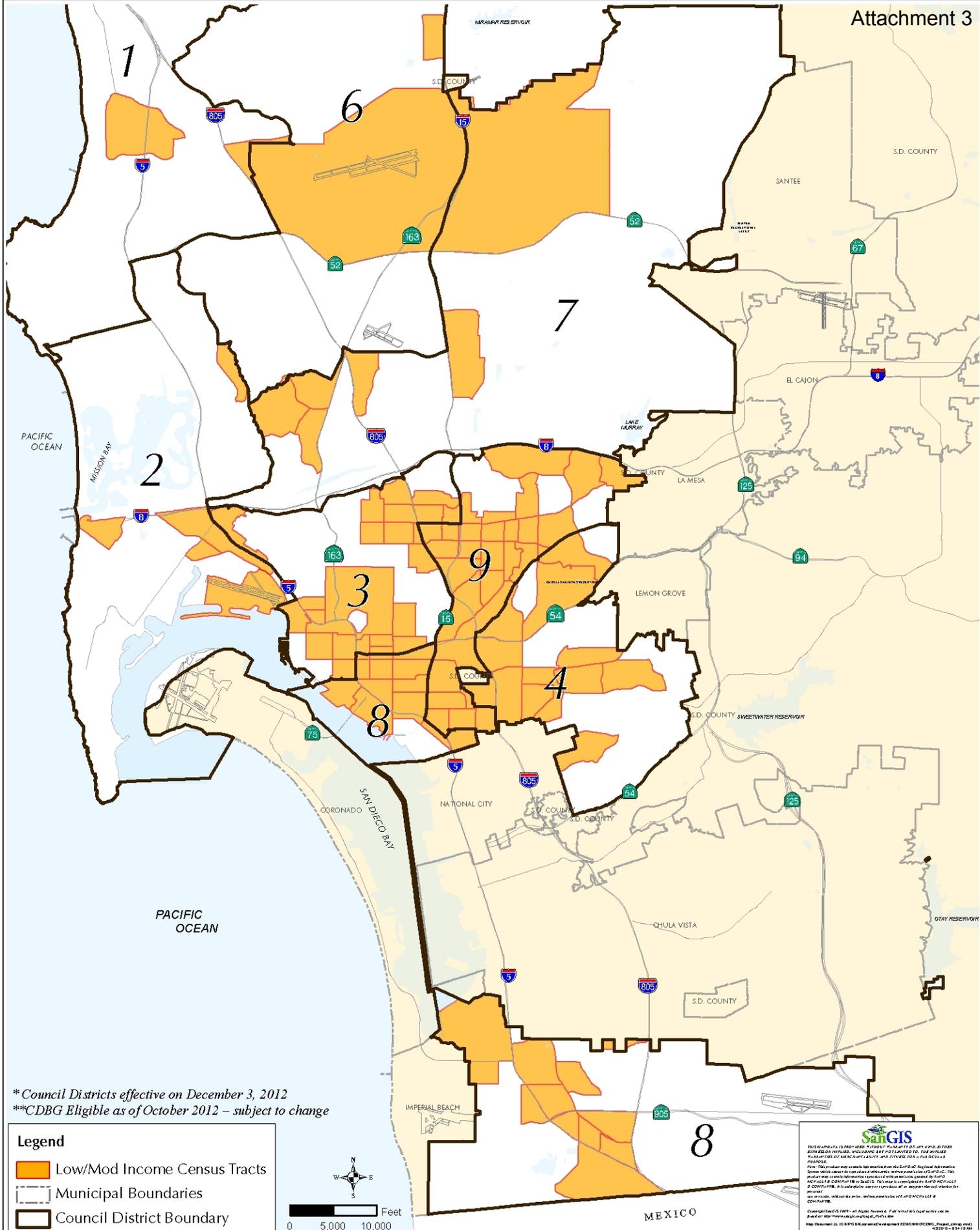
- business investment companies that provide loans to small independent businesses which may not have access to more traditional sources of capital; or,
- b. The organization is an SBA approved Section 501 State Development Company or Section 502 Local Development Company, or an SBA Certified Section 503 Company under the Small Business Investment Act of 1958, as amended. These organizations provide loans for specific purposes outlined in the pertinent regulations with the overall goal of fostering economic development; or,
  - c. Is a Community Housing Development Organization (CHDO) under 24 CFR 92.2, and designated as such by the San Diego Housing Commission. The CHDO must operate within a defined geographic area limited to one neighborhood and is a recipient of HOME funds (or is expected to receive HOME funds) in accordance with 24 CFR 92.300(e).
- (3) An organization that does not meet any of the criteria outlined above to qualify as a CDBO may be determined to qualify if such organization is able to demonstrate to HUD that the organization is sufficiently similar in purpose, function and scope to qualifying entities.

*Please refer to the regulations, specifically Title 24 CFR 570.204(c), for further details regarding the criteria outlined above.*



# Council Districts\* & CDBG Eligible Census Tracts\*\*

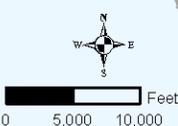
Attachment 3



\* Council Districts effective on December 3, 2012  
 \*\*CDBG Eligible as of October 2012 – subject to change

**Legend**

- Low/Mod Income Census Tracts
- Municipal Boundaries
- Council District Boundary



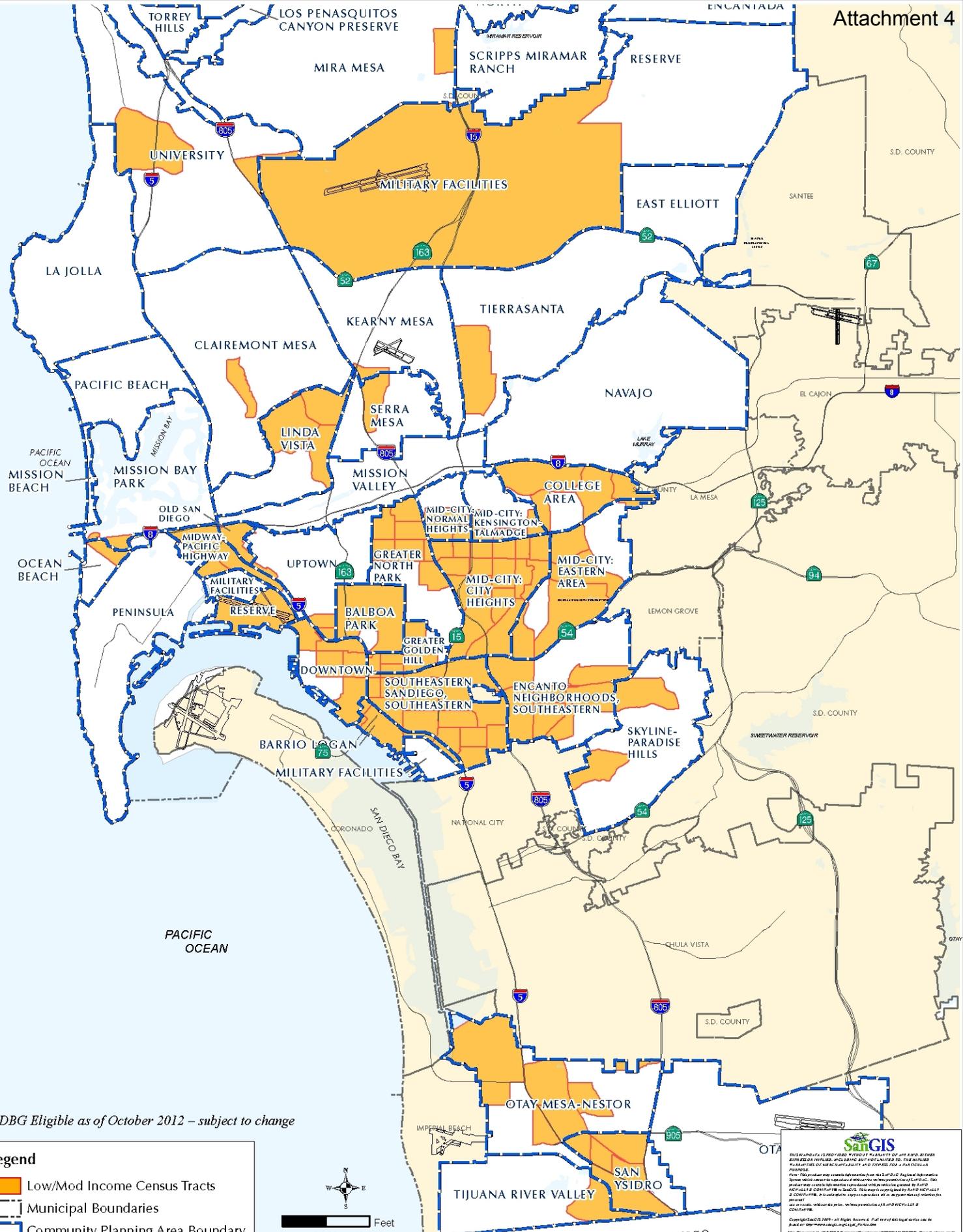
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# Community Planning Areas & CDBG Eligible Census Tracts\*

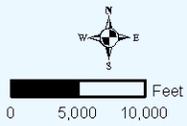
Attachment 4



\*CDBG Eligible as of October 2012 – subject to change

**Legend**

- Low/Mod Income Census Tracts
- Municipal Boundaries
- Community Planning Area Boundary



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