



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: May 3, 2007 REPORT NO: 07-083

ATTENTION: Council President and City Council
Council Meeting of May 8, 2007

SUBJECT: FY 2008 Community Development Block Grant Program

REFERENCE: Memorandum to Council President and City Council from
Mayor Jerry Sanders, Dated March 26, 2007 –
Subject: FY 2008 Community Development Block Grant (CDBG)
and Social Service Programs

REQUESTED ACTIONS:

- Authorize the City Auditor and Comptroller to accept CDBG funds in the amount of \$15,424,594 from the U.S. Department of Housing and Urban Development for the City's FY 2008 CDBG Program.
- Approve the funding allocations and recommendations for the City's FY 2008 CDBG Program, set forth in Report to the City Council No. _____, a copy of which is on file with the Office of the City Clerk as Document No. RR-_____, contingent upon certification of funds availability by the City Auditor and Comptroller, and that the Core City Priorities and CDBG-Funded Projects approved for funding be incorporated into the City's FY 2008 CDBG Action Plan.
- Authorize the Mayor or his designee to negotiate and execute agreements with those CDBG-Funded Projects approved for funding, contingent upon certification of funds availability by the City Auditor and Comptroller.
- Authorize the Executive Director of the San Diego Housing Commission to negotiate and execute agreements with those CDBG-Funded Projects approved for funding whose allocations the Mayor or his designee asks the San Diego Housing Commission to administer, contingent upon certification of funds availability by the City Auditor and Comptroller.
- Authorize the City Auditor and Comptroller to appropriate and expend the CDBG funds for the Core City Priorities and CDBG-Funded Projects approved for funding, contingent upon certification of funds availability by the City Auditor and Comptroller.
- Authorize the City Auditor and Comptroller to reprogram funding from prior year CDBG-funded projects to FY 2008 projects approved for funding, contingent upon certification of funds availability by the City Auditor and Comptroller.
- Authorize the Mayor or his designee to suspend the initiation of new HUD Section 108 Loans during FY 2008 that rely on CDBG and/or General Funds as a repayment source.

STAFF RECOMMENDATIONS:

- Adopt the Requested Actions

SUMMARY:

Background

The Federal Housing and Community Development Act of 1974 established the Community Development Block Grant Program (Program), which is administered by the Department of Housing and Urban Development (HUD). The City of San Diego has participated in the Program since its inception. The overarching goal of the Program is to develop viable urban communities through the provision of decent housing, suitable living environments, and economic activities for persons of low and moderate income.

The Program allows local jurisdictions broad latitude in deciding upon a community development strategy and determining the types of projects to fund. However, there are restrictions on the types of activities that are eligible for funding. These restrictions are defined in the Code of Federal Regulations (24 CFR 570).

Community Development Block Grant staff is responsible for grant compliance and the overall administration of the CDBG Program. Each year, the City is obligated to follow a HUD-defined “consolidated planning” process to insure community involvement, project eligibility, and a strategic approach to utilizing CDBG funds. Grantees are required to submit both a five year strategic plan and annual action plans (which are subject to HUD approval) in order to qualify for funding.

On July 26, 1993, the City Council adopted Council Policy 700-02 “Community Development Block Grant Program” to create a formula for funding that apportions 60% of the annual CDBG entitlement to Council Districts, and 40% to the City-wide category. The amounts to Districts are based upon the number of low and moderate income residents in each District as a percentage of the whole City. Under these Program guidelines, each Councilmember allocates respective District funding to specific projects at his/her discretion.

Discussion

The City’s CDBG entitlement grant amount for FY 2008 is \$15,424,594 which is a \$82,268 (0.05%) reduction from the current fiscal year.

The City opened a CDBG application process on January 19, 2007, which remained open until February 15, 2007. A total of 151 applications were received by the City, for an amount requested totaling approximately \$32.7 million. On March 27, 2007, the applications were forwarded to the City Council for funding consideration.

Core City Priorities

On March 27, 2007, the above-referenced Memorandum was provided to the City Council. Attachment 3 of that memorandum includes proposed CDBG allocations for the following Core City Priorities:

• CDBG Administration	\$ 1,150,000 (Administrative)
• CIP Project Management	\$ 450,000 (Administrative)
• Section 108 Loan Payments	\$ 3,310,827 (prior City Council action)
• Social Services (15%)	\$ 2,313,689 (Council Policy 700-02)
• Housing Commission	\$ 1,277,478 (Council Policy 700-02)
• ADA Barrier Removal Program	\$ 1,141,968 (past practice)
• ADA Transition Plan	\$ <u>373,000</u> (past practice)
Total	\$ 10,016,962

Each of the above-listed allocations is categorized into one of four areas: (1) specified by Council Policy 700-02; (2) directed by prior City Council action; (3) an on-going City practice reflective of Community Development goals; or (4) an administrative obligation to meet grant requirements.

In accordance with Council Policy 700-02 "Community Development Block Grant Program" and City practice since FY1994, each Councilmember identifies his/her respective funding priorities in a written memorandum. Those recommendations were submitted to the Mayor's Office by all Council Districts except Council District 3. The Mayor's Office has put forth funding recommendations for discretionary funding in the "Citywide" category.

All project funding recommendations have been incorporated into a complete list of FY2008 CDBG funding recommendations, and are included as **Attachment 1** of this report.

This list will be made available to all CDBG applicants, and put on the City's website for public review from May 3 to May 8, 2007.

Project Minimum of \$25,000

As discussed with Council Offices, stated in the Application Packet (see Attachment 2), and explained during Applicant Workshops, a project minimum of \$25,000 in CDBG allocated funding was established for Fiscal Year 2008. A number of projects did not receive this minimum total allocation (see list on Attachment 1, pages 7-9) and therefore will not receive CDBG funding.

Undesignated Funds

Currently there still remains \$3,147,522 (20% of Entitlement) in undesignated funds (See

Attachment 3). HUD allows up to 10 percent of CDBG funds to be left undesignated, however, strongly discourages the holding of these funds in such accounts and recommends that all funds allocated for an existing year be used in that year. The City is currently in violation of HUD's policy and this could jeopardize the City entitlement.

FISCAL CONSIDERATIONS:

There is no impact to the City's General Fund from this action. Funding for each project described in this report is available from the Community Development Block Grant Program.

PREVIOUS COUNCIL AND/OR COMMITTEE ACTION:

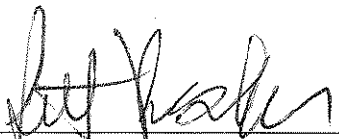
None.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

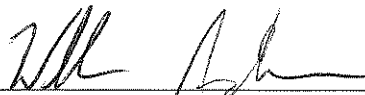
The application for federal entitlement grants (which includes the City's CDBG entitlement grant) is referred to as the Consolidated Plan. The Consolidated Planning process includes a community input process, during which staff presented the Plan and requested feedback from each community planning group representing low and moderate income communities. Further, the process was brought before the Land Use and Housing Committee and the San Diego Housing Commission for discussion. The CDBG application process was noticed in the San Diego Union Tribune newspaper, and notices were mailed to the City's CDBG mailing database.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Residents of low and moderate income communities; community-based organizations; community planning groups; and other community development organizations.



Scott Kessler
Deputy Director
Economic Development Division



William Anderson
Director
City Planning and Community Investment

- Attachment 1: City of San Diego FY 2008 CDBG Recommendations
- Attachment 2: City of San Diego Community Development Block Grant FY 2008 Application
- Attachment 3: Unallocated Funds as of May 2, 2007