



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: March 20, 2013 REPORT NO: 13-18
ATTENTION: Honorable Council President and Members of the City Council
SUBJECT: Community Development Block Grant (CDBG) Program FY 2014
Allocations

REQUESTED ACTIONS:

1. Authorize the Chief Financial Officer to accept CDBG funds from HUD for the City's FY 2014 CDBG Program.
2. Authorize the Chief Financial Officer to accept the repayment of FY 2013 CDBG debt totaling \$3,976,900 by the *City of San Diego as Successor Agency to the Former Redevelopment Agency of the City of San Diego* (Successor Agency) and record such repayment as FY 2014 CDBG Program Income.
3. Approve the proposed funding recommendations for the City's FY 2014 CDBG Program set forth in Attachments 1 (Capital Improvement and Community Economic Development Projects) and 2 (Public Service Projects) to this resolution, contingent upon the Chief Financial Officer certifying that funds are available.
4. Approve the allocation of CDBG funding to the San Diego Housing Commission not to exceed \$1,318,078 for the homeless programs as identified and indicated in resolution R-307701 (see Attachment 3).
5. Approve the incorporation of the FY 2014 City's Funding Obligations and those projects and programs for CDBG set forth in Attachments 1 and 2 to this resolution, into the City's FY 2014 Annual Action Plan.
6. Authorize the Chief Financial Officer to appropriate and expend:
 - FY 2014 CDBG entitlement funds not to exceed \$10,703,022
 - FY 2014 Program Income funds totaling \$3,976,900
 - FY 2013 Unobligated CDBG funds in the amount \$102,949.70

effective on 7/1/2013 for the City's Funding Obligations, projects and programs approved for CDBG funding, and to increase the FY 2014 Capital Improvements Program Budget for the City's Villa Montezuma project (B-10129) in the amount of \$882,500; contingent upon the Chief Financial Officer certifying that funds are available.

7. Authorize the Mayor, or his designee, to negotiate and execute agreements, and any amendments thereto, with those consenting agencies whose projects and programs have been approved by the City Council for CDBG funding, contingent upon the Chief Financial Officer certifying that funds are available.

STAFF RECOMMENDATION:

Adopt the Requested Actions.

BACKGROUND:

The City's CDBG Program is funded by the U.S. Department of Housing & Urban Development (HUD). Each year, the City is obligated to follow a HUD-defined consolidated planning process to ensure project eligibility, community involvement, and a strategic approach to utilizing CDBG funds. The City is required to submit an Annual Action Plan (AAP) in order to be approved for funding. The result of the CDBG application and allocation process form the basis for the AAP because it outlines how the funds will be used to accomplish the goals stated in the Consolidated Plan while meeting HUD standards.

In FY 2011, the City established a Consolidated Plan Advisory Board (CPAB) to serve in an advisory capacity to the Mayor and City Council on policy issues related to the Consolidated Plan and allocation of CDBG funds. Due to difficulties appointing enough members to constitute a quorum, this is the second year that the CPAB has served in an advisory capacity to the City Council on the CDBG allocation process.

Last year, each Council office was asked to rank the City of San Diego's approved Five-Year Consolidated Plan goals (Attachment 4). The results were provided to the CPAB to be used as a guide in making CDBG funding recommendations along with other pertinent documentation.

DISCUSSION:

Application and Eligibility Review Process: The FY 2014 CDBG application period ran from October 12, 2012 to November 14, 2012 (5:00 pm). The CDBG Program Office received a total of 78 applications, all submitted on a timely manner. In accordance with Council Policy 700-02, all applicants attended mandatory application workshops in order to be eligible for consideration. A total of four mandatory application workshops were conducted by the CDBG Program Office.

In addition to the mandatory workshops, applicants were provided with one-on-one technical assistance upon request. The CDBG Program Office also accepted questions via email through November 7, 2012 and released three sets of 'Frequently Asked Questions' in order to disseminate each answer provided on an individual basis.

The CDBG Program Office reviewed all applications for completeness and consistency with applicable HUD and City standards. Upon completion of this review, applicants were notified of any issues or questions and provided one-week to respond and/or provide additional information. All applications were subject to this process, otherwise known as "secondary review."

Based upon the results of the secondary review, a total of 69 applications were forwarded to the Consolidated Plan Advisory Board for review and funding consideration. Nine applications were not forwarded due to: (1) ineligibility based on minimum applicable standards; (2) withdrawal by applicants after discussions with staff regarding requirements or deadlines they were unable to meet; or (3) failure to respond in a timely manner.

CPAB Review and Scoring:

The CPAB convened two Ad Hoc sub-committees for the purpose of reviewing and scoring the eligible FY 2014 CDBG Applications. One Ad Hoc sub-committee reviewed 33 Public Services projects' applications. The other Ad Hoc sub-committee reviewed 36 Capital Improvement and Community/Economic Development (24 CIP and 12 CED) projects. It is noteworthy that funds available are allocated based on HUD standards. As such, as part of the proposed actions, a maximum amount (15%) may be allocated to PS project while remaining funds can be used towards CIP and CED projects collectively.

Upon completion of the Ad Hoc committees' reviews, results were forwarded to CDBG Program office on February 1, 2013 and posted on the CDBG Program website and shared with all interested parties via the CDBG email distribution list (inclusive of all applicants) on February 4, 2013. The CPAB convened a two-day publicly noticed meeting on February 11 and 12 of this year to arrive at their final recommendations which are as shown on Attachments 1 and 2.

Proposed FY 2014 CDBG Program Budget & CPAB Recommendations:

At this time, HUD has not identified the FY 2014 funding allocations and has informed its CDBG partner agencies to anticipate an estimated five percent reduction from the FY 2013 allocations due to the budget cuts which became effective as of March 1 of this year (see Attachment 7). The initial FY 2014 budget was developed with the expectation that funding levels would remain consistent with the prior year's allocation based on input from HUD. However, given recent events, the estimated FY 2014 budget has been revised accordingly while a maximum budget ceiling is accounted for as well to reflect the possibility of the budget reaching the original amount.

Pursuant to City Council Policy 700-02, funds for Administration and Fair Housing expenses, are to be deducted from the City's overall CDBG budget prior to funding being made available to address other Consolidated Plan goals. The City Council also set aside funds for homeless programs from the CDBG funding dedicated to Public Service projects as part of the 2012 Third Amendment to the Memorandum of Understanding with the San Diego Housing Commission dated September 25, 2012. Per Resolution No. 307701 (see Attachment 3), \$1,318,078 must be set aside "to the extent necessary to assist in covering the expense of operating the Neil Good Day Center, Veterans Winter Shelter, Cortez Hill Family Shelter, and Connections Housing

Interim Bed Program, without any requirement of matching funds to the extent such funds are available each fiscal year and approved for such use by the City Council."

Additionally, staff proposes using \$102,949.70 in funds remaining from the recent defeasement action (approved by the City Council in accordance with Resolution No. 307972 –attached) to fund projects in the CIP/CED Projects list (Attachment 1).

The recommended allocation of CDBG funds for FY 2014 is summarized below and reflects two scenarios, no reductions from the FY 2013 Entitlement, and a 5% reduction due to sequestration (see Attachment 5 for additional details):

	FY 2014 CDBG Proposed Budget	
	<i>No reduction from FY 13</i>	<i>5% reduction from FY 13</i>
FY14 Entitlement Estimate	\$10,703,022	\$10,167,871
FY 14 Program Income	\$3,976,900	\$3,976,900
Total FY 2014 CDBG Budget	\$14,679,922	\$14,144,771
Funding Obligations: Administration (20%)	\$2,935,984	\$2,828,954
Funding Obligations: Public Services (15% of Entitlement + 15% of FY 13 Program Income)	\$2,181,783	\$2,101,511
San Diego Housing Commission (SDHC)	\$1,318,078	\$1,318,078
Homeless Services & Programs Set Aside	\$1,318,078	\$1,318,078
Total available for PS Projects	\$863,705	\$783,433
<i>Remaining balance after funding projects 1-7 as shown in Attachments 2 & 5</i>	\$63,601	\$0
Subtotal of Funding Obligations (Admin & PS) for FY 2014	\$5,117,767	\$4,930,465
FY 2014 funds remaining for CED & CIP Project Applications	\$9,562,155	\$9,214,306
FY 2013 unobligated funds (available for CED & CIP Projects) Applications	\$102,950	\$102,950
Total available for CED & CIP Projects	\$9,665,105	\$9,317,256
<i>Remaining balance after funding projects 1-26 as shown in Attachments 1 & 5</i>	\$429,847	\$81,998

Note that in accordance with CFR 570.201(e)(1), the amount of CDBG funds obligated for public services activities must not exceed 15 percent of the annual grant allocation plus 15

percent of program income received during the prior year (FY 2013). The CDBG FY 2013 Program Income is equal to the FY 2012 CDBG repayment by the Successor Agency, \$3,842,200. While these payments are due to the City are due at the end of each of fiscal year and received by the City on a timely manner, they are not registered in the HUD database until the following year. As such, it is the FY12 Successor Agency repayment that is considered the FY 13 Program Income.

The recommended actions in this report reflect the no-reduction scenario from the FY 2013 allocation. All remaining funds would be allocated as part of a future action subject to the approval of the City Council.

Annual Action Plan:

Staff is also working toward releasing the City's Draft Annual Action Plan (AAP) for a 30-day public comment period beginning the first week of April, 2013. The AAP will include descriptions of how the estimated FY 2014 CDBG funds will be utilized in the upcoming fiscal year. A public notice is required to be issued 14 days prior to the date the Annual Action Plan will be available for public review and comment. According to HUD, individual projects approved for funding must be listed by allocation amount in AAP during public review and comment. Therefore, timely approval of FY 2014 allocations is critical in order to meet all impending deadlines for final submission of the AAP to HUD on May 15, 2013. It is anticipated that the CPAB will review and discuss the AAP in mid-April 2012 and it will subsequently be presented to City Council for approval in late April or early May of this year.

FISCAL CONSIDERATIONS:

Funding for each project described in this report will be available from HUD through the CDBG Program. Therefore no impact to the City's General Fund will result from these actions.

The Successor Agency repayments referenced in the report is based on the Repayment Agreement between the former Redevelopment Agency and the City, which obligates the Successor Agency to make scheduled repayments to the City to be used as CDBG program income per Resolution No. 305920 (see Attachment 6). The subject payment has been deemed an enforceable obligation on the third Successor Agency's Recognized Obligation Payment Schedule (ROPS) by the state Department of Finance.

ENVIRONMENTAL IMPACT

The proposed activities, allocation of community development grant funding to community economic development, capital improvement and public service projects, are not a project pursuant to Section 15060(c)(3) of the State of California Environmental Quality Act Guidelines as defined in section 15378.

EQUAL OPPORTUNITY CONTRACTING INFORMATION:

All contracts and agreements associated with the proposed actions are subject to the City's Equal Opportunity Contracting (San Diego Ordinance No. 18173, Section 22.2701 through 22.2708)

and Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517) and will be reviewed by the City's EOC Contract Compliance Office for conformance with all applicable requirements prior to their execution.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

N/A

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

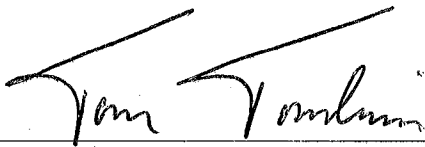
The Consolidated Plan Advisory Board held publicly noticed meetings to discuss the FY 2014 Application Process and funding recommendations on the following dates: January 9, 2013, February 11, 2013, and February 12, 2013.

CPAB meeting notices, agendas, and results were distributed via email to interested stakeholders and posted on the City's CDBG Program webpage.

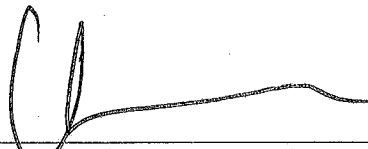
KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Residents of low and moderate income communities, community-based organizations and other community development organizations.

Respectfully submitted,



Tom Tomlinson,
Deputy Director
Economic Development



Approved: Kelly Broughton
Director
Development Services Department

- Attachments:
1. Scores and Rankings: FY14 CPAB Capital Improvement and Community Economic Development Projects
 2. Scores and Rankings: FY14 CPAB Public Service Projects
 3. City Council Resolution No. 307701 (October 3, 2012)
 4. FY 2010 – FY 2014 Consolidated Plan Goals: FY 2014 Ranking by City Council
 5. Proposed FY 2014 Funding Recommendations
 6. City Council Resolution No. 305920 (June 28, 2010)
 7. Letter from HUD to elected officials (released March 4, 2013)