



THE CITY OF SAN DIEGO  
**REPORT TO THE CITY COUNCIL**

DATE ISSUED: March 21, 2014 REPORT NO: 14-027  
ATTENTION: Honorable Council President and Members of the City Council  
SUBJECT: Community Development Block Grant (CDBG) Program FY 2015  
Allocations

REQUESTED ACTIONS:

1. Authorize the Chief Financial Officer to accept CDBG funds from HUD for the City's FY 2015 CDBG Program.
2. Approve the proposed funding recommendations for the City's FY 2015 CDBG Program set forth in Attachment 1 (Capital Improvement and Community Economic Development Projects) and Attachment 2 (Public Service Projects) to this staff report, contingent upon the Chief Financial Officer certifying that funds are available.
3. Approve the allocation of FY 2015 CDBG funding to the San Diego Housing Commission, not to exceed \$1,318,078, for the homeless programs as identified and indicated in City Council Resolution R-307701 (see Attachment 3), contingent upon the Chief Financial Officer certifying that funds are available.
4. Approve the incorporation of the FY 2015 City's Funding Obligations as defined in this staff report and those projects and programs for CDBG set forth in Attachments 1 and 2 to this staff report, into the City's FY 2015 Annual Action Plan.
5. Authorize the Chief Financial Officer to appropriate and expend FY 2015 CDBG entitlement funds not to exceed \$10,761,012 effective on 7/1/2014 for the City's Funding Obligations, projects and programs approved for CDBG funding, contingent upon the Chief Financial Officer certifying that funds are available.
6. Authorize the Chief Financial Officer to increase the Capital Improvements Program Budget in CIP S-11019, *Mountain View Neighborhood Park ADA Upgrade Project*, and to appropriate and expend an amount not to exceed \$393,500, 40th/PY2014/FY2015 CDBG Entitlement, for the purpose of carrying out park improvements as described in

the Park & Recreation – Mountain View FY 2015 CDBG Application, contingent upon the receipt of a fully executed grant agreement.

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 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). The City follows a HUD-defined process to ensure project eligibility, community involvement and a strategic approach to utilizing CDBG funds. This takes place through the Consolidated Plan process and the submittal of annual reports to HUD.

The Consolidated Plan (Con Plan) allows local jurisdictions to identify their most pressing community development and housing needs and determine the best use of certain federal funds for the planning period. The Con Plan for the City of San Diego covers a five-year period and serves as the framework for the following federal entitlement grant programs: the Community Development Block Grant (CDBG), the HOME Investment Partnership (HOME), the Emergency Solutions Grant (ESG) program, and the Housing Opportunities for Persons with AIDS (HOPWA) program.

The City is currently working towards the development of the Consolidated Plan for fiscal years 2015 through 2019. As such, the CDBG FY 2015 allocation identifies the proposed uses of said federal funds for the first year of the FY 2015 – FY 2019 Con Plan. It should be noted that the City Council adopted the goals for the FY 2015 – FY 2019 Con Plan during a public hearing which took place on December 16, 2013. Such action is memorialized in City Council Resolution No. 308656 (see Attachment 4).

The City is required to submit an Annual Action Plan (AAP) to HUD in order to be approved for funding. The Fiscal Year 2015 Annual Action Plan covers the first year of the City's FY 2015 – FY 2019 Con Plan and constitutes the City's application for the four federal grants identified above. The result of the CDBG competitive application and allocation process form the basis of the CDBG portion of the AAP because it outlines how the funds will be used to accomplish the goals stated in the Consolidated Plan during Fiscal Year 2015. The AAP includes descriptions of how the estimated FY 2015 CDBG funds will be utilized in the upcoming fiscal year and requires a 30-day public review period. Therefore, timely approval of FY 2015 allocations is critical in order to meet all impending deadlines for final submission to HUD on May 15, 2014.

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. Inclusive of FY 2015, the CPAB has now served in an advisory capacity to the City Council regarding the CDBG allocation process for three years.

## DISCUSSION:

### **CDBG Application Process:**

The FY 2015 CDBG application process was divided into a two-step process. Initially, the City issued a Request for Qualifications (RFQ) which ran from October 28 through November 18, 2013. Sixty-eight (68) agencies responded to the RFQ and staff from the City's HUD Programs Administration (HPA) Office reviewed submittals for completeness and eligibility. As part of this process, sixty-four (64) agencies were deemed to meet all applicable requirements and possess the overall capacity needed to carry out eligible CDBG activities.

Subsequent to the RFQ process, qualified agencies were invited to respond to the Request for Proposals (RFP) released by the City on January 10, 2014. Fifty-four (54) agencies submitted proposals for projects and/or programs by the submittal deadline, January 27, 2014. A total of sixty-two (62) proposals were submitted as several of the respondent agencies submitted two proposals.

In accordance with Council Policy 700-02, all applicant agencies attended mandatory application workshops as part of the RFP phase in order to be eligible for consideration. A total of four mandatory application workshops were conducted by the HPA Office. In addition to the mandatory workshops, applicants were provided with one-on-one technical assistance upon request during both the RFQ and the RFP processes. City staff held thirty-nine (39) such technical assistance meetings. The HUD Programs Administration Office also accepted questions via email and issued nine sets of answers to 'Frequently Asked Questions' in order to disseminate information provided on an individual basis to all prospective applicants.

### **CPAB Review and Scoring:**

All of the applications submitted in response to the RFP process, were forwarded to the Consolidated Plan Advisory Board for review and funding consideration on February 5, 2014. Along with the applications, the reviewers were also provided with a reference binder which included the following:

1. FY 2015 CDBG Application Review Panel Handbook: Outlines the process and procedures to be followed by the members of the Consolidated Plan Advisory Board (CPAB) in scoring the applications. The Handbook was posted on the City's website on February 7, 2014.
2. FY 2015 CDBG FY 2015 Master List of Projects and Applicant Agencies
3. CDBG Applications Review and Scoring Criteria: As approved by City Council on December 16, 2013.
4. Scoring Matrix Guide: Attachment to Staff Report presented to City Council on December 16, 2013 as part of the approval of the CDBG Applications Review and Scoring Criteria.
5. FY 2015 – FY 2019 Consolidated Plan Goals: As approved by City Council on January 14, 2014.
6. Estimated FY 2015 Action Plan Budget (Attachment 5)
7. Council Policy 700 – 02: Community Development Block Grant Program (CDBG)

8. Council Policy 000 – 04: Code of Ethics for elected officials, officers, appointees, and employees of the City of San Diego
9. Conflict of Interest Statement: By signing this form, reviewers acknowledged they had read and understood the conflict of interest provisions that apply to the CDBG applications' review process and agreed to fully comply with said provisions.
10. Confidentiality Statement: By signing this statement, reviewers agreed to hold confidential information as such and use said information strictly for its intended, official and authorized purpose.
11. Scoring Forms: Used by reviewers to record scores and make notes that applicants can use as feedback on their applications.
12. Technical Review: Summary of the results of the technical review of applications completed by staff. The staff's review included considerations of the programmatic and fiscal characteristics of the proposed projects as well as information about previously funded projects for the applicant agency with City of San Diego CDBG funds during the FY 2012 – FY 2014 years.

The CPAB had convened two Ad Hoc committees for the purposes of discussing applications with one another and exchanging considerations during their January 14, 2014 meeting. Such interactions were aimed at expanding the point of view of the individual reviewers and encouraging them to consider in their review factors they may have initially overlooked.

Each Ad Hoc committee held two lengthy meetings during the CPAB *review period* (February 5 to March 3). Each committee consisted of four CPAB members and, as such, no quorum was achieved at the Ad Hoc committee level. Only CPAB committee members and City staff participated in these meeting. City staff provided technical assistance during the Ad Hoc meetings but did not participate in the evaluation of the applications in relation to the review criteria approved by City Council nor did staff participate in the scoring.

Each of the two Ad Hoc Committees considered and discussed **all** of the applications but no interactions took place across the committees. Reviewers were also asked to complete their score forms independently and to not collaborate with one another during the process. The Ad Hoc Committee meetings were not intended to allow members to reach consensus but rather to hear from one another and ask technical questions of staff.

During their review period (February 5 to March 3), the CPAB also devoted their February 12 meeting to allow applicant agencies (and/or their supporters, clients and such) to speak about their agencies and/or proposed projects. Thirty-four (34) agencies and/or their supporters spoke during this meeting.

All CPAB members submitted their score sheets and returned the applications to City staff on or before March 5, 2014. The scores awarded to each application and subsequent rankings (as shown in attachments 1 and 2 to this report) were posted on the City's website and shared via electronic mail with all interested parties on March 11, 2014. The CPAB ratified the scores and rankings during their March 12, 2014 meeting. It should be noted that there are two lists of project ordered based on scores (in a descending order) given HUD limits the amount of funds that may be allocated to Public Services Projects (15 percent). After deducting from the budget this amount as well as other expenditures based on City's policies and HUD standards (further

detailed below), remaining monies are allocated to the other project categories: Community Economic Development (CED) and Capital Improvement Projects (CIP). The CPAB ratified the overall scores and both sets of rankings during their March 12, 2014 meeting.

**Proposed FY 2015 CDBG Program Budget:**

It is important to note that until recently the City anticipated a \$4,392,400 payment to be added to the FY 2015 CDBG budget in accordance with the *Repayment Agreement By and Between the (former) Redevelopment Agency and the City of San Diego* (Attachment 6). The Repayment Agreement set forth scheduled annual payments toward CDBG debt owed by the former Redevelopment Agency to the City over a ten-year period ending in Fiscal Year 2019. The availability of all future payments under the Repayment Agreement is now in question due to the implementation of AB 26 by the California Department of Finance (DOF). AB 26 (the "Dissolution Act") generally prohibited all new redevelopment activities and outlined the process that the Successor Agency must follow in order to meet any "enforceable obligations" of the former Redevelopment Agency.

Note that while the payments tied to the *Repayment Agreement* are due to the City at the end of each of fiscal year, they are not registered in the HUD database until the following fiscal year. As such, it is the FY14 Successor Agency repayment that is considered the FY 15 CDBG Program Income and so on for all remaining payments. Said future payments, from FY 2014 through FY 2019 (which would be added to the CDBG budget from FY 2015 through FY 2020), total \$64,039,400.

The City and the Successor Agency had asserted from the outset that the Repayment Agreement is an enforceable obligation, and the DOF did not object to this assertion in the first several six-month Recognized Obligation Payment Schedules ("ROPS") submitted by the Successor Agency. In December 2013, for the first time in connection with review of ROPS 13-14B (covering the first six months of calendar year 2014), the DOF rejected the Repayment Agreement as an enforceable obligation, but indicated that the Successor Agency and the City could reinstate the Repayment Agreement on modified terms in accordance with Assembly Bill 1484. According to the City's calculations, however, reinstatement of the Repayment Agreement on such modified terms would result in the City losing at least half of the original value of the Successor Agency's remaining scheduled annual payments under the Repayment Agreement. Since late 2013, HUD has been negotiating with the DOF regarding a potential global resolution of disputes stemming from the DOF's invalidation of numerous HUD-related redevelopment obligations throughout California, including the Repayment Agreement. The outcome of these negotiations and the timing of a potential resolution are unknown at this time but preclude the City from including these funds in the FY 2015 CDBG budget.

Given the above, the City's FY 2015 CDBG budget relies exclusively on the entitlement allocation annually received from HUD which has been in a declining trend for several years. HUD has yet to release the figures for the FY 2015 cycle and the current CDBG budget presumes a five percent reduction from the FY 2014 entitlement allocation based on currently available information.

In accordance with City Council Policy 700-02, funds for administration purposes and Fair Housing expenses (City's Funding Obligations), 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 has 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 City Council Resolution No. 307701 (see Attachment 3), \$1,318,078 must be set aside "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."

The recommended allocation of CDBG funds for FY 2015 is summarized below:

	<b>FY 2015 CDBG Proposed Budget</b>
FY15 Entitlement Estimate	<b>\$10,761,012</b>
Administration (20%)	\$2,152,202
Public Services (15%)	<b>\$1,614,152</b>
San Diego Housing Commission (SDHC) Homeless Services & Programs Set Aside	(\$1,318,078)
<b>Total available for Public Service Projects</b>	<b>\$296,074</b>
<i>Remaining balance after funding projects 1-3 as shown in Attachment 2</i>	\$20,809
FY 2014 funds remaining for Community Economic Development & Capital Improvement Projects	<b>\$6,994,658</b>
<i>Remaining balance after funding projects 1-16 as shown in Attachment 1</i>	\$340,489

Remaining funds in the amount \$361,298 (total of amounts shown as remaining balances above) would be allocated as part of a future action subject to the approval of the City Council.

**FISCAL CONSIDERATIONS:**

Funding for each purpose and/or project referenced in this report will be available from HUD through the HPA Office. However, note that the CPAB recommendations for funding exclude the City's Lead Safety Enforcement Project (\$148,048 requested for FY 2015; \$135,674 allocated to same program in FY 2014) and City's the Safe and Healthy Homes Project (\$314,924 requested for FY 2015; \$300,012 allocated to same program in FY 2014). Both of these projects are administered by the City's Environmental Services Department. To the extent

that CDBG funding allocations for these programs are reduced for FY 2015, the proposed budgets and service levels for these programs will need to be adjusted accordingly.

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 ACTIONS:

On June 5, 2013, the Public Safety and Livable Neighborhood Committee (PS&LN) discussed the scoring process for CDBG applications.

On September 18, 2013, PS&LN received an informational item regarding the review and scoring criteria associated with the Fiscal Year 2015 (FY15) application process.

On October 30, 2013, the FY 2015 Review and Scoring Criteria was approved unanimously by PS&LN and forwarded to City Council for their consideration.

On December 16, 2013, the City Council unanimously approved the goals for the FY 2015 – FY 2019 Con Plan.

On January 14, 2014, the City Council unanimously approved the FY 2015 Review and Scoring Criteria.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

The Consolidated Plan Advisory Board held publicly noticed meetings to discuss the FY 2015 Application Process, review criteria and funding recommendations on the following dates: October 9, 2013; January, 8, 2014; February 12, 2014; and, March 12, 2014.

CPAB meeting notices, agendas, and results were distributed via email to interested stakeholders and posted on the City's CDBG Program webpage. Notices of all pertinent City Council and PS&LN meetings were given via the HUD Programs Administration Office email distribution list in addition to notices provided by the City Clerk.



KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Those affected by the proposed actions include low and moderate income (LMI) individuals and households; those presumed by HUD to be principally LMI (abused children, battered spouses, elderly persons, severely disabled adults, homeless persons, illiterate adults, persons living with AIDS and migrant farm workers), community based organizations and the community at large.

Respectfully submitted,



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Sima Thakkar,  
HUD Program Manager  
Planning, Neighborhoods & Economic  
Development Department



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Approved: William Fulton  
Director  
Planning, Neighborhoods & Economic  
Development Department

- Attachments:
1. CPAB Scores and Rankings: FY15 Capital Improvement and Community Economic Development Projects
  2. CPAB Scores and Rankings: FY15 Public Service Projects
  3. City Council Resolution No. 307701 (October 3, 2012)
  4. Resolution No. 308656 (December 31, 2013)
  5. Estimated FY 2015 Action Plan Budget
  6. Repayment Agreement By and Between the (former) Redevelopment Agency and the City of San Diego, executed on June 30, 2010