THE CITY OF SAN DIEGO

REPORT TO THE CITY COUNCIL

DATE ISSUED: April 23, 2014 REPORT NO: 14-037

ATTENTION: Honorable Council President and Members of the City Council
Agenda of April 28, 2014

SUBJECT: FY 2015 - FY 2019 Consolidated Plan and FY 2015 Annual Action Plan for City of San Diego HUD Entitlement Programs

REQUESTED ACTIONS:

1. Approve the City's FY 2015-FY 2019 Consolidated Plan (Con Plan).

2. Approve the City's FY 2015 Annual Action Plan (Action Plan).

3. Authorize Economic Development Division staff to coordinate final revisions to the Con Plan and Action Plan to ensure that approved activities and all public comments received during the 30-day public comment period are included in the final Con Plan and Action Plan and the combined plans are submitted in a timely manner to the U.S. Department of Housing and Urban Development (HUD) for its review and approval.

4. Authorize the Chief Financial Officer or designee to accept Emergency Solutions Grant (ESG) funds from HUD for the City's FY 2015 ESG program in the amount of $920,222.

5. Authorize the Chief Financial Officer or designee to appropriate and expend up to $920,222 in FY 2015 ESG program funds, contingent upon the Chief Financial Officer certifying that the funds are available.

6. Authorize the Chief Financial Officer or designee to appropriate and expend up to $88,369.23 of the remaining balance of FY 2011 ESG program funds, contingent upon the Chief Financial Officer certifying that the funds are available.

7. Authorize the Chief Financial Officer or designee to accept HOME Investment Partnership (HOME) funds from HUD for the City's FY 2015 HOME program in the amount of $4,386,711.

8. Authorize the Chief Financial Officer or designee to appropriate and expend up to $4,386,711 in FY 2015 HOME funds, contingent upon the Chief Financial Officer certifying that the funds are available.

9. Authorize the Mayor or designee to negotiate and execute agreement(s), and any and all amendment(s) thereto, with the San Diego Housing Commission (Housing Commission), which set forth the Housing Commission's responsibilities to plan, coordiante, operate, administer and implement programs for the operation of the City's ESG program and authorize the City to reimburse the Housing Commission for eligible ESG expenditures, contingent upon the Chief Financial Officer certifying that funds are available.

10. Authorize the Mayor or designee to negotiate and execute agreement(s), and any and all amendement(s) thereto, with the Housing Commission, which set forth the Housing Commission's responsibilties to plan, coordinate, operate, administer and implement programs for the operation of the City's HOME program and authorize the City to reimburse the Housing Commission for eligible HOME expenditures, contingent upon the Chief Financial Officer certifying that funds are available.

STAFF RECOMMENDATION:
Approve the requested actions.

BACKGROUND:

The United States Department of Housing and Urban Development (HUD) requires local jurisdictions to prepare a Consolidated Plan (Con Plan) in order to receive federal housing and community development funding for all HUD entitlement grants.

There are four HUD entitlement grant programs to be addressed in the City of San Diego's Consolidated Plan and Annual Action Plan:

- Community Development Block Grant (CDBG): The primary objective of the CDBG program is the development of viable urban communities through the provision of improved living environments, expansion of economic opportunity and decent housing. Grant funds are intended to serve principally persons of low and moderate income.

- HOME Investment Partnerships Program (HOME): The HOME program is dedicated to the establishment of affordable housing for low-income households.

- Emergency Solutions Grant (ESG): The purpose of the ESG program is to assist individuals and families regain housing (temporary and permanent) after experiencing a housing crisis or homelessness.

- Housing Opportunities for Persons with AIDS (HOPWA): HOPWA funds may be used for a wide range of housing, social services, program planning, and development costs for the benefit of individuals living with HIV/AIDS and their families.

The main purposes of the Consolidated Plan are to:

1. Identify the City's housing and community development needs (including those at the neighborhood-scale, as well as economic development needs), priorities, and goals;

2. Identify other federal, state, county, local, and private sources of funding that may be utilized in order to leverage the CDBG, HOME, ESG, and HOPWA resources; and

3. Arrive at the Strategic Plan the City will follow annually in order to address needs, priorities, and goals while considering the availability of other resources and mechanisms.

The City of San Diego Con Plan is updated every five years and the FY 2015 – FY 2019 Consolidated Plan (July 1, 2014 – June 30, 2019) must be submitted to HUD for review and approval no later than May 15, 2014.

The City developed its Con Plan in consultation with those intended to be the primary beneficiaries of these HUD entitlement programs: the community-at-large and non-profit, for-profit and faith-based community-serving organizations. Because the HUD programs referenced above have limited funding, the City must determine how to best use these program funds to achieve the greatest public benefit. Part of the Con Plan process included assessing community needs, setting goals and developing strategies to address priorities needs and objectives. The goals and objectives established in the Con Plan will direct the allocation of FY 2015 – FY 2019 HUD grant program funds.

The FY 2015 Annual Action Plan (Action Plan) represents the first year of the City's Consolidated Plan for the Fiscal Years 2015 – 2019, once it is approved by HUD. The Action Plan is the City of San Diego's application for HUD entitlement grants and identifies the proposed programs and projects to be funded during the City's Fiscal Year 2015.

The Action Plan identifies how the City of San Diego, as the HUD Entitlement Grantee for the four programs referenced above, works in collaboration with the Housing Commission (as the subrecipient administrator of the HOME and ESG programs) and the County (as the subrecipient administrator of the HOPWA program). The Annual Action plan proposes how the City intends to utilize these funds in the upcoming fiscal year to address its community development, housing and public services goals and priorities as described in the FY 2015 – 2019 Consolidated Plan. The Annual Action Plan also describes other projects and programs that leverage those funded by CDBG, HOME, ESG, and HOPWA and further support the City's efforts to address its goals and priorities as identified in the Con Plan.

The City's Con Plan update coincides with the development of the first year Action Plan and the competitive FY 2015 Request for Proposal (RFP) process. Due to this timing, the FY 2015 Action Plan will continue the prior years' practice of allocating CDBG funds to projects based upon applications received through the competitive RFP process. The Consolidated Plan Advisory Board (CPAB) finalized their scoring and ranking of FY 2015 CDBG applications at their meeting on Wednesday, March 12, 2014. The City Council was presented with the CPAB's scoring recommendations at its meeting on Monday, March 24, 2014 and approved the FY 2015 allocations as recommended. Once the FY 2015 CDBG application review and ranking was

complete, a DRAFT FY 2015 Action Plan was included in the Consolidated Plan and released for the 30-day public comment review process on April 1, 2014.

DISCUSSION:

The Con Plan update process is a year-long exercise that began in July 2013, with the City conducting some initial public outreach during the Consolidated Plan Advisory Board (CPAB) meetings.

In September 2013, staff presented an informational item to the Public Safety and Neighborhood Services (PS&NS) Committee regarding the CDBG application process. At this hearing, staff discussed the progress made to-date in updating the Con Plan goals, changes made to the application process, revisions in the review and scoring criteria, and new application guidelines. Staff also described the next steps in the Con Plan process and informed the PS&NS Committee that outreach and data analysis would be conducted over the months of October and November in order to bring new goals forward for adoption in December 2013.

In October, the City engaged the services of LeSar Development Consultants (LDC) to assist with the development of the FY 2015- FY 2019 Con Plan and the formulation of the recommended Con Plan goals. Throughout the months of October and November 2013, LDC, in conjunction with City staff, engaged in an extensive community outreach program to solicit input from the direct beneficiaries of the HUD grant programs, as well as the agencies that utilize HUD funds.

Based on the information gathered through the community forums, surveys and other source data, the Con Plan goals were developed and approved by the City Council on December 17, 2013 (R-#308656). The FY 2015- FY 2019 Con Plan goals approved by Council and included in the draft Con Plan are:

GOAL 1: Enhance the City's economic stability and prosperity by increasing opportunities for job readiness and investing in economic development programs.

GOAL 2: Strengthen neighborhoods by investing in the City's critical public infrastructure needs.

GOAL 3: Improve housing opportunities by creating and preserving affordable rental and homeowner housing in close proximity to transit, employment and community services.

GOAL 4: Assist individuals and families to stabilize in permanent housing after experiencing a housing crisis or homelessness by providing client-appropriate housing and supportive service solutions.

GOAL 5: Invest in community services and non-profit facilities that maximize impact by providing new or increased access to programs that serve highly vulnerable populations such as youth, seniors and food insecure households.

GOAL 6: Meet the needs of persons with HIV/AIDS and their families through the provision of housing, health, and support services.

The six Consolidated Plan goals represent high priority needs for the City of San Diego and serve as the basis for the Strategic Actions the City will use to meet these needs. As mentioned previously, the FY 2015 Action Plan will continue the prior years' practice of allocating CDBG funds to projects based upon the RFP process. Subsequent Annual Action Plans (FY 2016- FY 2019) will incorporate the Strategic Actions listed below:

Strategic Actions

1. Program Development, Directing Investment and Influencing Outcomes
In an effort to proactively direct critical HUD resources and make demonstrable progress toward achieving the six Consolidated Plan Goals, the City will develop the following programs with budgetary considerations:

- **Community Services (Public Services)** [up to 15% annually]
  Activities funded through this program are comprised of public services that provide direct services to help the City's most vulnerable populations.

  A portion of the Community Services funding will continue to be set-aside to assist the homeless population, pursuant to Council Resolution No. R-307701 adopted September 25, 2012. This Resolution dedicates up to $1,318,078 in CDBG Public Service funds to assist with the costs of the operation of the Neil Good Day Center, Cortez Hill Family Shelter, Veterans Emergency Shelter and the Connections (PATH) Interim Bed Program.

- **Community/Economic Development** [up to 10% annually]
  Activities funded through this program will create economic opportunities including job readiness and business/microenterprise development. The City will explore options for creating new economic development programs that complement existing incentives and support the City of San Diego's Economic Development Strategy.

- **Capital Improvement** [up to 55% annually]
  This program will strengthen neighborhoods by dedicating funds to:
  1) Investing in the City's critical public infrastructure needs to support neighborhood safety and improved livability such as sidewalks, streetlights, and other community enhancements;
  2) Funding critical improvements to non-profit public facilities that will improve or expand service delivery to serve the City's most vulnerable populations; and
  3) Establishing housing rehabilitation programs that support housing stabilization such as emergency repairs, public health and safety issues, weatherization, and energy efficiency improvements.

The recommended annual budgetary priorities for these CDBG programs during fiscal years 2016 – 2019 are as follows:

Fiscal Year 2016-2019 Annual Budgetary Priorities (up to %)		
*Illustrative Estimate Only	$11,000,000	
Administration and Planning	20%	$2,200,000
Public Services	15%	$1,650,000
Community/Economic Development	10%	$1,100,000
Capital Improvement Projects	55%	$6,050,000
Nonprofit	*40%*	*$2,420,000*
City	*60%*	*$3,630,000*
Total	100%	*$11,000,000

The Con Plan includes a new budgetary priority of reserving funds annually for critical neighborhood infrastructure needs such as sidewalks and street-lighting. HUD rules require these improvements to occur in eligible areas (census tracts) with a majority of low and moderate income residents. HUD CDBG regulations and Council Policy 700-02 also stipulate that entitlement funds may not supplant existing funding sources for projects, such as general funds. The Con Plan suggests capitalizing on the work of the CIPRAC 5-Year CIP plan and prioritization process pursuant to Council Resolution No. R-308535, adopted November 13, 2013, in order to expand the reach of City infrastructure projects and take advantage of efficiencies that can happen when expanding the scope of an existing construction project.

The Mayor's priorities, the City Council FY 2015 Budget priorities, the Consolidated Plan needs assessment, and Con Plan Goal 2 all identify the need for critical neighborhood infrastructure investment. The reservation of funds reflects these priorities and directs annual investment to achieve noticeable outcomes.

Leverage and Geographic Targeting: In the context of the City's HUD Programs, "leverage" means bringing other local, state or federal financial resources to each entitlement program in an effort to maximize the impact and sustainability of those programs.

Geographic Targeting is a mechanism by which the City may stabilize and improve neighborhoods in San Diego by directing HUD Program funds, including capital improvement, economic development, and community services resources, to areas identified to be the most underserved. During the Con Plan update process, staff began to identify indicators to layer onto the required HUD low and moderate income data in an effort to begin areas of interest. The Con Plan recommends continuing this work in FY 2015 and to convene a group of practitioners and subject matter experts to identify an appropriate methodology for geographic targeting, which will examine a variety of indicators using reliable, recurring and accessible data, and publicly vetting the geographic areas through CPAB.

Increasing Administrative Efficiencies: The HUD Programs Administration Office is responsible for ensuring the City is in compliance with all rules and regulations associated with all four HUD entitlement programs: CDBG, HOME, ESG, and HOPWA. This includes regular

monitoring, verifying compliance, and heightened administrative oversight. The Con Plan also calls for the increase in operational efficiencies of HUD Programs through enhanced coordination, technical assistance and outreach. The Consolidated Plan Advisory Board will continue to advise City Council on HUD Programs and Council Policy 700-02 will be reviewed and updated as needed.

Administrative efficiencies are imperative because the funds available to conduct the activities listed above are limited to 20% of the CDBG entitlement, and 7.5% of ESG, 10% of HOME and 10% of HOPWA. For example, the 20% of CDBG funds used for administration are expended on a variety of planning and administrative activities, including but not limited to:

- Fair Housing Outreach, Education, Investigation and Enforcement Activities ($210,000 in FY 2015);
- Staff costs related to program administration, fiscal management, monitoring, compliance, and reporting;
- Support of the CPAB and the annual allocation process; and
- Service agreements with other City departments, such as the City Attorney's Office, for supportive services.

HUD FY 2015 Entitlement Allocations

On March 18, 2014, HUD identified the FY 2015 funding allocations for the CDBG, HOME, ESG and HOPWA programs as follows:

CDBG	$10,978,461
ESG	$ 920,222
HOME	$ 4,386,711
HOPWA	$ 2,837,753

The draft Con Plan and Action Plan was released for a 30-day public review beginning on April 1, 2014. Hard copies of the Con Plan and Action Plan are available at various community centers, City libraries, the HUD Programs Administration Office and the Office of the City Clerk. The combined Con Plan and Action Plan is also posted on the City's website (see http://www.sandiego.gov/cdbg/index.shtml) and its release was widely noticed. The purpose of this review is to provide the public with an opportunity to provide comments regarding the proposed projects and programs, as well as any of the other information included in the plan.

FISCAL CONSIDERATIONS: There is no impact to the general fund with this action.

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: On December 17, 2013, the City Council adopted Resolution No. R-308656 approving the Con Plan goals.

On March 19, 2014, the PS&LN Committee approved the draft Con Plan and Action Plan and forwarded it to the City Council for consideration.

On March 24, 2014, the City Council adopted Resolution No. R-308834, approving the FY 2015 CDBG project allocations and awards.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: The proposed Con Plan has been discussed at public meetings held by the Consolidated Plan Advisory Board (CPAB) on November 13, 2013, December 2, 2013, March 12, 2014 and April 9, 2014. The CPAB received public comments on the Con Plan and Action Plan at its April 9, 2014 meeting (during the 30-day public comment period). The CPAB voted 5-4-0 to forward the Con Plan and Action Plan to the City Council for consideration with a recommendation to approve.

The proposed FY 2015 CDBG allocations were discussed at the February 12, 2014 CPAB meeting and were recommended for consideration by the City Council at the March 12, 2014 CPAB meeting.

The draft Con Plan was considered by the PS&LN Committee at its meeting on March 19, 2014. Public comments were received at that time and the PS&LN Committee approved the draft Con Plan and Action Plan and forwarded it to the City Council for approval.

On March 25, 2014, the Community Planners Committee (CPC) voted to forward the Con Plan and Action Plan to the City Council for consideration and approval.

KEY STAKEHOLDERS AND PROJECTED IMPACTS: Those affected by the proposed actions including 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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Deputy Director
Planning, Neighborhoods & Economic
Development Department

Approved: William Fulton
Director
Planning, Neighborhoods & Economic
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Attachments: 1. FY 2015 – FY 2019 Consolidated Plan, including the FY 2015 Annual Action Plan

Please note the FY 15 – FY 19 Consolidated Plan and FY 15 Annual Action Plan can be viewed at: http://www.sandiego.gov/cdbg/pdf/2014/fy2015conplandraft.pdf