



THE CITY OF SAN DIEGO

Report to the City Council

DATE ISSUED: April 20, 2016 REPORT NO: 16-034
ATTENTION: Honorable Council President and Members of the City Council
SUBJECT: FY 2017 Annual Action Plan and Substantial Amendment to the FY 2015-FY 2019 Consolidated Plan for City of San Diego U.S. Department of Housing and Urban Development (HUD) Programs and Declaration of Homeless Shelter Crisis

REQUESTED ACTIONS:

1. Approve the City of San Diego's FY 2017 Annual Action Plan (Action Plan).
2. Approve the City of San Diego's Substantial Amendment to the FY 2015-FY 2019 Consolidated Plan (Substantial Amendment).
3. Authorize the Mayor, or designee, to coordinate final revisions to the Action Plan and Substantial Amendment to ensure that approved activities and all public comments received during the 30-day public comment period are included in the final plans submitted to HUD for its review and approval.
4. Authorize the Mayor, or designee, to negotiate and enter into a Memorandum of Understanding (MOU) with the San Diego Housing Commission (Housing Commission) establishing an Affordable Housing Revolving Loan Fund and providing for the Housing Commission to administer such fund, contingent upon the Chief Financial Officer certifying that funds are available.
5. Approve the allocation of FY 2017 Community Development Block Grant (CDBG) debt repayment funds from the Successor Agency for the Affordable Housing Revolving Loan Fund in an amount not to exceed \$4,600,000, contingent upon the Chief Financial Officer certifying that funds are available.
6. Find and declare the existence of a homeless shelter crisis in the City of San Diego pursuant to and in accordance with the provisions of California Government Code section 8698 et seq.

STAFF RECOMMENDATION:
Approve the requested actions.

EXECUTIVE SUMMARY OF ITEM BACKGROUND:

The City of San Diego receives annual entitlement program funds from HUD and allocates those funds based upon the approved Consolidated Plan for FY 2015 – FY 2019 (Con Plan) and Action Plan. The City’s current Con Plan was approved by the City Council via Resolution #R-308904, dated April 30, 2014, and subsequently approved by HUD. The Con Plan identifies high priority community development and affordable housing goals and outlines strategies to help the City meet those goals.

Action Plan

The FY 2017 draft Action Plan (Attachment 1) serves as the City’s application to HUD for entitlement grant funds and identifies the proposed projects and programs to be funded by the City in FY 2017 (the third year of the City’s HUD-approved Con Plan).

The four (4) HUD entitlement programs included in the Action Plan are:

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

HOME Investment Partnerships Program (HOME): HOME is dedicated to increasing affordable housing opportunities for low-income households through the development and rehabilitation of affordable housing units and through direct financial assistance to low-income owners and tenants.

Emergency Solutions Grant Program (ESG): ESG provides funding to (1) engage homeless individuals and families living on the street, (2) improve the number and quality of emergency shelters for homeless individuals and families, (3) help operate these shelters, (4) provide essential services to shelter residents, (5) rapidly re-house homeless individuals and families, and (6) prevent families/individuals from becoming homeless.

Housing Opportunities for Persons with AIDS Program (HOPWA): HOPWA is dedicated to the housing needs of people living with HIV/AIDS and their families.

While the City of San Diego is the entitlement grantee for each of these four programs, the San Diego Housing Commission (Housing Commission) administers the HOME and ESG programs and the County of San Diego (County) administers the HOPWA program on behalf of the City. The FY 2017 Action Plan has been prepared by the City’s Economic Development Department in partnership with the Housing Commission and the County.

The Con Plan establishes budgetary priorities for CDBG allocations in the following categories: Capital Improvement Program, Community/Economic Development, Public Services and Administration. The Capital Improvement Program consists of the City’s Neighborhood Infrastructure projects (City Projects) and Nonprofit Capital Improvement Projects. City Projects were identified by a process established with the City’s Capital Improvements Program Review and Advisory Committee (CIPRAC). Other CDBG programs and projects were identified through a competitive Request for Proposal (RFP) application process. The results of these processes are the basis of the CDBG portion of the Action Plan.

Budgetary priorities for the ESG and HOME programs have been established by the Housing Commission, within the framework of the Con Plan, and included in the FY 2017 Housing

Commission budget schedule to be heard by the Board of Commissioners on April 8 and May 6, 2016. Budgetary priorities for HOPWA will be determined by the County, within the framework of the Con Plan, and all activities funded will meet the needs of persons with HIV/AIDS and their families through the provision of housing, health and support services.

Allocations for each of these four (4) programs were approved unanimously by the City Council on March 22, 2016 via Resolution R-310318.

Substantial Amendment

The trigger for the Substantial Amendment to the FY 2015- 2019 Consolidated Plan for HUD Programs is the anticipated receipt of an additional \$10.9 million in FY 2017 CDBG Program Income resulting from repayments from the Successor Agency to the former Redevelopment Agency of the City of San Diego (Successor Agency) under that certain Repayment Agreement, dated June 30, 2010, between the City and the former Redevelopment Agency of the City of San Diego (Former RDA). Repayments to the City's CDBG Program are scheduled to occur over the course of several years with escalating payments. On the dissolution of Redevelopment in the State of California in 2012, these payments were suspended. Following the enactment of Senate Bill (SB) 107 in September 2015, though, the Successor Agency revived the Repayment Agreement and was permitted to include a portion of the repayment on its Tenth Recognized Obligation Payment Schedule (ROPS 10). The California Department of Finance (DOF) has until April 15, 2016 to make a determination regarding the enforceable obligations listed on ROPS 10. Because funds from payments made under the Repayment Agreement could be made available to the City's CDBG Program as early as July 1, 2016, additional projects have been identified to expend these funds. However, it is also possible the DOF will disapprove all or a portion of such repayment obligation for FY 2017, or any subsequent fiscal year, and the City will not receive all or a portion of such scheduled repayment.

In addition to potentially receiving payments under the CDBG Repayment Agreement, the City's CDBG Program may receive funds resulting from payments by the Successor Agency under that certain Loan Agreement (Long-Term Debt), dated March 1, 2011, between the City and the Former RDA. Certain payments under the Loan Agreement will be considered CDBG Program Income. The City is currently performing a due diligence review of the certain amounts to be repaid under the Loan Agreement to attempt to determine the total amount to be considered CDBG Program Income. To the extent that repayments are received under the Loan Agreement that are considered CDBG Program Income, a future Substantial Amendment to the Consolidated Plan may be required to address expenditure of this additional CDBG Program Income. However, it is also possible that DOF will disapprove all or a portion of the Loan Agreement repayment obligation for FY 2017 or any subsequent fiscal year and the City will not receive all or a portion of the repayment under the Loan Agreement.

On December 9, 2015 the Consolidated Plan Advisory Board (CPAB), charged with making recommendations of funding to the City Council, approved budgetary priorities for the anticipated additional CDBG Program Income from repayments under the Repayment Agreement. These budgetary priorities include:

- Core Goals (75%): Revolving Loan Funds for Affordable Housing/Economic Development and City Neighborhood Infrastructure
- Annual Stabilization of CDBG Entitlement (12%)
- Challenge Grant (8%)

- Nonprofit Accelerator and Administration (5%)

In anticipation of additional Program Income being added to the City's CDBG Program from repayments under the Repayment Agreement, the City proposes to stabilize annual CDBG entitlement resources at \$12,500,000 through FY 2019. The budgetary priorities related to the existing eligible CDBG funding categories (i.e., Public Services, Community Economic Development, Capital Improvement) will not change and the final amount added from the anticipated additional CDBG Program Income will be determined each year when the City's annual CDBG entitlement allocation from HUD is known and the Successor Agency's ROPS for the applicable fiscal year is approved by DOF.

Additionally, a new Challenge Grant category has been added to the annual budgetary priorities. These funds are a subset of the Public Services category and are designed to target resources to serve highly vulnerable populations by creating youth workforce opportunities and services to Veterans.

Resources will also be provided to develop a Nonprofit Accelerator or Academy Program to expand the capacity of new and small nonprofits to effectively utilize the City's CDBG resources, as well as attract private funding. This program will be developed in conjunction with the City of San Diego's Commission for Arts and Culture.

The majority of the additional CDBG Program Income funds will be invested in "Revolving Loans Funds" (RLFs) that will enable the City to provide loans to individuals, developers, and businesses. By segregating the RLFs from the City's CDBG Program, Program Income generated from the RLF loans may be returned to the established RLF, rather than to the City's CDBG Program.

The first of such RLFs will be the Affordable Housing Revolving Loan Fund, created with an initial investment of \$4,600,000, to increase affordable housing opportunities in the City of San Diego. The City will partner with the San Diego Housing Commission (Housing Commission) to fund the following Revolving Loan Activities:

1. Homeownership Down Payment Assistance: Estimated Program Costs: \$1,000,000
 - Eligible applicants must meet CDBG income thresholds
 - Funds issued as a combination of 3% interest loan and grant for eligible CDBG costs, such as closing costs and up to 50% of the lender required down payment
2. Pilot "Clean & Green" Rehabilitation Program Development: Estimated Initial Program Development and Costs: \$250,000
 - Eligible applicants must meet CDBG income thresholds
 - Funds issued as loans and grants for eligible CDBG costs, such as for efficiency upgrades to single family, owner-occupied units
3. Permanent Supportive Housing: Estimated Program Costs: \$3,350,000
 - Eligible developers must apply under the Housing Commission's Open Permanent Supportive Housing Notice Of Funding Availability (NOFA)
 - Funds issued as a 3% loan with a 15-20 year term (as determined by final Housing Commission underwriting) and will be used to increase the number of Permanent Supportive Housing units for homeless individuals

The City of San Diego’s Substantial Amendment to the FY 2015– 2019 Consolidated Plan for HUD Programs does not alter the six (6) Consolidated Plan Goals.

Public Comment

The draft Action Plan and Substantial Amendment were released for a 30-day public comment and review period on March 25, 2016. Hard copies of the Action Plan and Substantial Amendment were made available in the reference section of select City libraries (Central, Malcolm X, San Ysidro, Logan Heights and City Heights/Weingart), the Bayside Community Center, the Jacobs Center for Neighborhood Innovation, and the Economic Development Department. The draft Action Plan and Substantial Amendment were also available for review on the City’s website (www.sandiego.gov/cdbg) and the Housing Commission’s website (www.sdhc.org). The public comment period will conclude April 25, 2016.

Housing Shelter Crisis

The 2015 Regional Task Force on the Homeless Point-In-Time Count, conducted on January 23, 2015, identified a total of 5,538 homeless people within the City of San Diego. This accounts for 65% of the entire homeless population in the San Diego region. Of those counted, 2,765 people were unsheltered within the City living on San Diego streets and beaches, or in canyons, riverbeds, parks and vehicles.

The unsheltered homeless population is a particularly vulnerable sub-population as they are at risk of injury and harm due to exposure to the elements and other health, safety and welfare-related circumstances and consequences associated with living outside. In addition, the impact of overnight lodging in City parks and on public sidewalks, parking lots and beaches has an effect on the physical environmental resources, as well as on the use and enjoyment of public spaces for their intended purposes for the public at-large. Such overnight lodging in public spaces also has an adverse effect on the health and safety of the people in the City, including the homeless population, and those effects and impacts constitute a nuisance for which abatement is warranted.

The draft FY 2017 Action Plan anticipates the City will allocate funding for a total of 670 emergency, interim and transitional housing beds from various funding sources, including CDBG, ESG and City General Funds. (Table 1)

Table 1: Emergency, Interim and Transitional Housing Beds Funded By the City of San Diego (FY 2017)

Name of Housing Program	Number of Beds	FY 2017 Funding*	City Funding Source
Cortez Hill Family Center	150	\$205,902	CDBG
		\$305,626	ESG
Connections Housing	150	\$303,575	CDBG
		\$123,618	ESG
		\$300,000	City General Funds
Serial Inebriate Program	20	\$120,000	City General Funds
Interim Housing for Homeless Adults	350	\$267,351	CDBG
		\$166,319	ESG
		\$1,600,000	City General Funds
Total:	670		

* For the purposes of this table, only City funding sources (federal and local) administered by the Housing Commission are included. Housing Commission administration fees are included in the funding amounts above.

Given the large discrepancy between number of temporary beds available and the recent count of homeless persons living on the street, it is clear there is a need for additional beds to accommodate the number of individuals experiencing unsheltered homelessness.

California Government Code section 8698 et seq. provides the ability to declare a state of emergency due to a shelter crisis in the City. A “shelter crisis” may be proclaimed when a situation exists whereby a significant number of persons are without the ability to obtain shelter, resulting in a threat to their health and safety. Upon a declaration of a shelter crisis, the City may allow homeless persons to occupy designated public facilities for the duration of the emergency. In addition, California Government Code section 8698.1 (b) provides for the suspension of any state or local regulatory statute, regulation or ordinance prescribing standards of housing, health or safety to the extent that strict compliance with these standards would prevent, hinder or delay the mitigation of the effects of the shelter crisis. The provisions of California Government Code section 8698.1(b) are applicable only to additional public facilities open to the homeless. In place of such standards, the City may enact certain municipal health and safety standards during the housing emergency which ensure basic levels of public health and safety conditions are operative.

A shelter crisis was previously declared by the City Council for FY 2016 via Resolution R-309576, dated March 27, 2015.

CITY STRATEGIC PLAN GOAL(S)/OBJECTIVE(S):

Goal #2: Work in partnership with all of our communities to achieve safe and livable neighborhoods

Objective #3: Invest in infrastructure

Objective #4: Foster services that improve quality of life

Goal # 3: Create and sustain a resilient and economically prosperous City.

Objective #1: Create dynamic neighborhoods that incorporate mobility, connectivity and sustainability.

FISCAL CONSIDERATIONS:

These actions result in no fiscal impact to the City’s General Fund. All funding referenced in the requested actions originates from the HUD.

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 (CEQA) as defined in Section 15378. The draft Action Plan and Substantial Amendment identify projects that have been or are in the process of being reviewed or will require review under CEQA at a future time in accordance with the City’s Land Development Code. This determination is predicated on Section 15004 of the State CEQA Guidelines which provides direction to lead agencies on the appropriate time for environmental review.

At this time, the City is allocating proposed funding for programs and projects, subject to future approval from HUD and awarding of or entering into contracts for specific projects. The City is not committing funding to or to undertaking any project in a manner that will have an adverse environmental impact or that forecloses reasonable alternatives or mitigation measures that would ordinarily be part of NEPA or CEQA review for any project. As part of the HUD process for releasing CDBG funds to the City, before the City commits to funding or

awards or enters into a contract for a project and when more meaningful information for environmental assessment is available for certain of the anticipated projects, the City will comply with the applicable requirements of NEPA and/or CEQA for each project. [24 C.F.R. section 58.22(a) and 14 C.C.R. section 15004(b).]

EQUAL OPPORTUNITY CONTRACTING INFORMATION: (if applicable)

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 Equal Opportunity Contracting Compliance Office for conformance with all applicable requirements prior to their execution.

PREVIOUS COUNCIL and/or COMMITTEE ACTIONS:

On March 22, 2016, the City Council approved the FY 2017 HUD Entitlement Programs Allocations via Resolution R-310318.

On April 20, 2016, the Public Safety & Livable Neighborhoods (PSLN) Committee will consider the Action Plan and Substantial Amendment in order to make a recommendation to the City Council. The results of the PSLN meeting will be presented verbally to the City Council when the actions requested in this Report are considered.

COMMUNITY PARTICIPATION AND OUTREACH EFFORTS:

CPAB held publicly noticed meetings to discuss the FY 2017 RFP Application process, City Projects, project funding recommendations and the Annual Action Plan/Substantial Amendment on the following dates: August 12, 2015, September 9, 2015, October 14, 2015, November 5, 2015, December 9, 2015, January 13, 2016, February 10, 2016, March 9, 2016 and April 13, 2016.

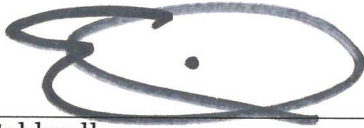
On December 9, 2015 CPAB approved budgetary priorities for the anticipated additional CDBG Program Income from payments under the Repayment Agreement, as referenced in the Substantial Amendment.

On April 13, 2016, the CPAB will consider the Annual Action Plan and Substantial Amendment in order to make a recommendation to the City Council. The results of the CPAB meeting will be presented verbally to the City Council when the actions requested in this Report are considered.

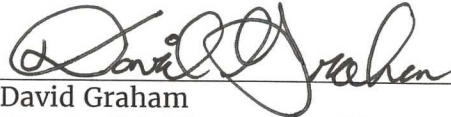
CPAB meeting notices and agendas were distributed via email to interested stakeholders and posted on the City's CDBG webpage at www.sandiego.gov/CDBG. Notices of all pertinent meetings were distributed via the Community Development Division's email distribution list and in notices posted by the City Clerk. Public notices of the 30-day comment period, as well as the Council meeting, were published in the San Diego Daily Transcript, Voice and Viewpoint and El Latino.

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.



Erik Caldwell
Director
Economic Development Department



David Graham
Deputy Chief Operating Officer
Neighborhood Services

- Attachments:
1. Draft FY 2017 Annual Action Plan
 2. Draft Substantial Amendment to the FY 2015-FY 2019 Consolidated Plan