



THE CITY OF SAN DIEGO

Report to the City Council

DATE ISSUED: November 17, 2016 REPORT NO. 16-103
ATTENTION: Economic Development and Intergovernmental Relations
Committee
SUBJECT: Community Development Block Grant (CDBG) Reinvestment
Initiative for Fiscal Year (FY) 2018

REQUESTED ACTION:

Request the City Council:

On recommendation from the Consolidated Plan Advisory Board approve the CDBG Reinvestment Initiative for FY 2018.

STAFF RECOMMENDATION:

Approve the requested action.

EXECUTIVE SUMMARY OF ITEM BACKGROUND:

BACKGROUND:

In 2010, the City of San Diego (City) and the former Redevelopment Agency executed a CDBG Repayment Agreement to address findings from Office of the Inspector General (OIG) of the Department of Housing and Urban Development (HUD). In FY 2010-2019, the City's CDBG Program was to receive an estimated \$78 million in escalating repayments. With the dissolution of Redevelopment in 2012, the State of California Department of Finance (DOF) suspended approval of the payments, leaving \$64 million in outstanding debt repayment. Senate Bill 107, enacted in September 2015, permitted the City's Successor Agency to the former Redevelopment Agency to include this debt repayment on the annual Recognized Obligation Payment Schedule (ROPS). In addition to reinstating the HUD OIG debt repayment schedule, Senate Bill 107 resulted in DOF authorizing the repayment of \$151 million in program income funds related to the Long-Term Miscellaneous CDBG Debt from the City's Successor Agency.

Two debt repayment schedules have been created to allow for the City's Successor Agency to pay the outstanding \$64 million in CDBG Repayment Funds and the \$151 million in Long-Term Miscellaneous CDBG Debt, bringing the total repayments due back to the City to \$215 million. The funds repaid are CDBG Program Income and will be subject to approval by the DOF as part of the annual ROPS process.

The City's Economic Development Department worked with various community stakeholders and the City's Consolidated Plan Advisory Board to create recommendations regarding how the FY 2018 portion of the Successor Agency's repaid CDBG funding should be spent. These recommendations are presented to the Council in today's action as the Reinvestment Initiative with the goal of creating and sustaining a resilient and economically prosperous City, and to encouraging economic growth and investment in San Diego's CDBG eligible communities.

In FY 18, the Reinvestment Initiative proposes to expend \$17 million in four key focus areas (Table 1). These focus areas are Affordable Housing/Homelessness, Inclusive Economic Growth and Workforce Development, and Sustainability, City Infrastructure, Capacity Building and Public Services. This proposed investment will be in addition to the City's estimated FY18 CDBG

entitlement allocation of \$10.8 million. The proposed Reinvestment Initiative anticipates the remainder of the \$215 million will be expended over the next 10 to 15 years and will be subject to approval by the City Council in future years as part of annual CDBG allocation process.

The proposed allocation of funds for the Reinvestment Initiative are consistent with the goals and objectives of the City's FY 2015-2019 approved Consolidated Plan, City Council Policy 700-02 and regulatory caps established by HUD. Many of the proposed funding opportunities will be allocated through the annual competitive application process which includes qualifying organizations through a Request for Qualifications (RFQ), soliciting Requests for Proposals (RFP) from the qualified applicants, and scoring and evaluation by the City's Consolidated Plan Advisory Board. The proposed allocations will be subject to approval by the City Council.

REINVESTMENT INITIATIVE FOCUS AREAS:

Affordable Housing/Homelessness

In FY 2018, the Reinvestment Initiative proposes to invest \$5,250,000 in affordable housing programs that support the rehabilitation of multi-family units and single family homes as well as provide significant support for programs that serve the homeless. The San Diego Housing Commission will play a key role in programmatic implementation of all three housing programs.

Inclusive Economic Growth and Workforce Development

In an effort to provide balanced economic activity throughout the City's underserved neighborhoods, the Reinvestment Initiative proposes to invest an estimated \$4,969,000 in new economic development programs in FY 2018. The proposed programs include investing in workforce development for at-risk youth, supporting small business accelerators and creating small business loan and investment fund opportunities that will also provide small business consulting services. Economic Development Department (EDD) intends to solicit qualified, high performing partners that have a proven track record of providing professional workforce development services in low- and moderate-income neighborhoods.

Sustainability Programs

San Diego's emerging communities play a key role in the City of San Diego's Climate Action Plan (CAP). In FY 2018, the Reinvestment Initiative proposes to invest \$2,500,000 in programs that will impact the quality of life for low- and moderate-income residents as well as positively impact the City's CAP goals and objectives. In partnership with the City's Environmental Services Department, EDD proposes to support the installation of smart street lighting and urban forestry (tree planting) throughout City's CDBG eligible service areas. In addition to this sustainable infrastructure investment, EDD proposes to partner with local non-profit organizations to provide sustainable rehabilitation programs to low- and moderate-income homeowners, as well as provide job training and employment opportunities for highly vulnerable populations, such as youth and veterans, who are interested in sustainability-related careers.

Public Infrastructure, Capacity Building and Public Services

On August 31, 2016, EDD held a "CDBG Bowl" with various City Asset-Managing Departments in an effort to create a capital plan for CDBG-eligible infrastructure projects to increase efficiency in expending CDBG funds as well as to maximize the potential for catalytic impacts of strategically targeted infrastructure projects. In FY 2018, the Reinvestment Initiative proposes to invest \$850,000 in City infrastructure projects.

In FY 2017, EDD launched the first Nonprofit Academy (NPA) in partnership with University of San Diego and the Commission for Arts and Culture. The NPA was created to assist local

nonprofits in securing contracts with the City of San Diego. Historically, local nonprofits have faced significant challenges attempting to do business with the City. The goal of this two-day academy was to work with local organizations to identify strengths and weaknesses, as well as to share experiences with similar existing and emerging organizations. Day 1 of the Academy saw an attendance of over 150 organizations with an estimated waiting list of 100 organizations. EDD intends to continue the NPA and in FY 2018, the Reinvestment Initiative proposes to invest \$429,000 to expand the program to two academy sessions per year and launching a new cohort-based capacity building program for local nonprofit organizations.

In FY 2017, EDD launched a new program called the Challenge Grant. The Challenge Grant is designed to provide funding to nonprofit providers to promote new product and service development. The Challenge Grant promotes innovation in the nonprofit sector by creating new youth workforce training opportunities and/or provide direct services to Veterans. In FY 2018, the Reinvestment Initiative proposes to invest \$1,000,000 in the Challenge Grant program.

In FY 2018, the Reinvestment Initiative proposes to allocate \$2,000,000 to stabilize the City's existing CDBG annual entitlement allocation at \$12,500,000. This stabilization will help nonprofits better plan for Public Service, Community/Economic Development, and Nonprofit Capital Improvement projects in the years to come.

Table 1: CDBG Reinvestment Initiative for FY 2018

PROGRAMS	FY 2018 PROPOSED CDBG FUNDING	FOCUS AREA
Multifamily Housing Support	\$3,000,000	Affordable Housing/Homelessness
Homeless Housing Support	\$2,000,000	Affordable Housing/Homelessness
Single Family Rehabilitation	\$250,000	Affordable Housing/Homelessness
TechHire Academy	\$1,000,000	Inclusive Economic Growth & Workforce Development
Early Stage Accelerator	\$1,660,000	Inclusive Economic Growth & Workforce Development
Early-Stage Seed Fund	\$500,000	Inclusive Economic Growth & Workforce Development
Small Business Loan Fund	\$1,000,000	Inclusive Economic Growth & Workforce Development
Business Assistance Fund	\$300,000	Inclusive Economic Growth & Workforce Development
Summer Hire Internship	\$500,000	Inclusive Economic Growth & Workforce Development
Smart Spaces Program (Urban Forestry)	\$510,000	Sustainability Programs
Smart Street Lighting	\$1,000,000	Sustainability Programs
Single Family & Nonprofit Sustainable Rehabilitation	\$1,000,000	Sustainability Programs
City Infrastructure	\$850,000	Public Infrastructure, Public Services & Capacity Building
Challenge Grant	\$1,000,000	Public Infrastructure, Public Services & Capacity Building
Nonprofit Accelerator	\$430,000	Public Infrastructure, Public Services & Capacity Building
Stabilization of CDBG Annual Entitlement	\$2,000,000	CDBG Annual Entitlement
TOTAL	\$17,000,000	

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.

Objective #3: Diversify and grow the local economy.

FISCAL CONSIDERATIONS:

The requested action will result in no fiscal impact to the City's General Fund. All funding referenced in the requested action originates from the U.S. Department of Housing and Urban Development. The requested action will not result in the allocation of funds. A future action to allocate CDBG funds for the Reinvestment Initiative will be requested as part the City's FY 2018 Annual HUD Entitlement Programs Allocations.

ENVIRONMENTAL IMPACT:

The proposed Reinvestment Initiative is not a project pursuant to Section 15060(c)(3) of the State of California Environmental Quality Act Guidelines (CEQA) as defined in Section 15378.

EQUAL OPPORTUNITY CONTRACTING INFORMATION (if applicable):

This action is not subject to the City's Equal Employment Opportunity Outreach Program (San Diego Ordinance No. 18173, Sections 22.2701 through 22.2708). This action is not subject to the City's Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517).

PREVIOUS COUNCIL and/or COMMITTEE ACTIONS:

None

COMMUNITY PARTICIPATION AND OUTREACH EFFORTS:

The Economic Development Department (EDD) staff has conducted an extensive community engagement process to solicit input and support for the proposed Reinvestment Initiative.

The process has included:

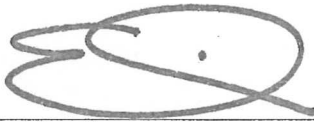
- Stakeholder meetings with the San Diego Regional Economic Development Corporation, Downtown San Diego Partnership, San Diego Workforce Partnership, San Diego Chamber of Commerce, South County Economic Development Council, and the Jacobs Center for Neighborhood Innovation.
- Six meetings with organizations serving the Reinvestment Initiative focus areas of Affordable Housing/Homelessness, Inclusive Economic Growth and Workforce Development, Sustainability, Infrastructure and Public Services/Capacity Building.
- Five community meetings/listening sessions for the general public regarding the Reinvestment Initiative.

In addition, the Reinvestment Initiative was presented to the City's Capital Improvements Program Review Advisory Committee on August 25, 2016.

The Consolidated Plan Advisory Board (CPAB) held two publicly noticed meetings to discuss the Reinvestment Initiative on September 14, 2016 and October 12, 2016. On October 12, 2016, CPAB unanimously recommended the proposed Reinvestment Initiative for City Council approval.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Those affected by the proposed action 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 City of San Diego.



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