



THE CITY OF SAN DIEGO

Report to the City Council

DATE ISSUED: March 16, 2016 **REPORT NO:** 16-020
ATTENTION: Honorable Council President and Members of the City Council
SUBJECT: FY 2017 HUD Entitlement Programs Allocations

REQUESTED ACTIONS:

1. Authorize the Chief Financial Officer to accept FY 2017 Community Development Block Grant (CDBG) entitlement funds from the U.S. Department of Housing and Urban Development (HUD), in a total amount not to exceed \$10,897,246, effective on July 1, 2016, for the City's FY 2017 CDBG Program and appropriate and expend such funds for the projects and programs approved for funding, contingent upon grant funding being secured.
2. Approve the proposed funding recommendations for the City's FY 2017 CDBG Program as detailed in Attachment 1 (FY 2017 Public Services), Attachment 2 (FY 2017 Challenge Grant), Attachment 3 (FY 2017 Community/Economic Development Projects), Attachment 4 (FY 2017 Non-profit Capital Improvement Projects), and Attachment 5 (FY 2017 City Neighborhood Infrastructure Projects) to this report, contingent upon the Chief Financial Officer certifying that funds are available.
3. Approve the allocation of FY 2017 CDBG entitlement funding to the San Diego Housing Commission in a total amount not to exceed \$1,318,078 for the homeless programs identified in City Council Resolution R-307701, as modified by City Council Resolution R-309666 (Attachment 6), contingent upon the Chief Financial Officer certifying that funds are available.
4. Approve the incorporation of the City's FY 2017 CDBG funding allocations for those projects and programs set forth in Attachments 1-5 to this report into the City's FY 2017 Annual Action Plan.
5. Authorize the Chief Financial Officer to accept, appropriate and expend up to \$4,093,848 in FY 2017 HOME Investment Partnerships Program (HOME) funds from HUD for the City's FY 2017 HOME Program, contingent upon grant funding being secured.
6. Authorize the Chief Financial Officer to accept, appropriate and expend up to \$992,604 in FY 2017 Emergency Solutions Grant (ESG) funds from HUD for the City's FY 2017 ESG Program, contingent upon grant funding being secured.

7. Authorize the Mayor, or designee, to negotiate and enter into agreements, and any amendments thereto, on behalf of the City with those consenting agencies whose projects or programs are recommended for CDBG funding in this Report, contingent upon the Chief Financial Officer certifying that funds are available.
8. Authorize the Mayor, or designee, in conjunction with extension of the term of that certain Memorandum of Understanding between the City of San Diego and the San Diego Housing Commission for the Provision of Homeless Shelters and Services, effective August 1, 2014, as amended as of July 16, 2015 (collectively, 2014 MOU) to cover FY 2017, to enter into an extension of the term of that certain FY 2016 Emergency Solutions Grant (ESG) Subrecipient Agreement between the City of San Diego and the San Diego Housing Commission effective July 2, 2015, to cover FY 2017.
9. Authorize the Mayor, or designee, in conjunction with extension of the term of the 2014 MOU to cover FY 2017, to enter into an extension of the term of that certain Amended and Restated FY 2016 CDBG and General Fund Agreement between the City of San Diego and the San Diego Housing Commission effective September 15, 2015, to cover FY 2017.
10. Authorize the Mayor, or designee, in conjunction with extension of the term of that certain Memorandum of Understanding between the City of San Diego and the San Diego Housing Commission Regarding the HOME Investment Partnerships Program, effective October 8, 2014, to cover FY 2017, to enter into an extension of the term of that certain FY 2016 HOME Investments Partnerships Grant (HOME) Subrecipient Agreement between the City of San Diego and the San Diego Housing Commission effective July 2, 2015, to cover FY 2017.
11. Authorize the Chief Financial Officer to accept the repayment of CDBG debt from the Successor Agency in a total amount not to exceed \$10,912,000, as listed on the Successor Agency's tenth "Recognized Obligation Payment Schedule" submitted to the California Department of Finance in 2016 for FY 2017 (ROPS 10), as and to the extent approved by the California State Department of Finance, which repayment shall be recorded as CDBG Program Income.
12. Authorize the Chief Financial Officer to appropriate and expend a total amount not to exceed \$10,912,100 in FY 2017 CDBG debt repayment funds from the Successor Agency, as listed on ROPS 10, for approved CDBG projects, contingent upon the Chief Financial Officer certifying that funds are available.
13. Authorize the Chief Financial Officer to appropriate \$402,369.65 of Program Income in Fund 600100 and to transfer appropriations of \$16,395.10 from FY 2016 Unobligated CDBG Program in Fund 600000, Grant 1000003-2016, IO UC1000003-16 to increase the FY 2017 Capital Improvement Project (CIP) Program Budget in Fund 600000, Grant 1000003-2017, CDBG 2017, contingent upon certification of fund availability by the Chief Financial Officer.
14. Authorize the Chief Financial Officer to increase the FY 2017 Capital Improvement Project (CIP) Program Budget in Fund 600000, Grant 1000003-2017, CDBG 2017 and appropriate and expend CDBG Program Balances up to \$418,764.75, FY 2017 CDBG Entitlement funding in an amount not to exceed \$3,081,235.25, contingent upon grant funding being secured, and Program Income Repayment Funds up to

\$3,125,547, contingent upon funds being available from Fund 6000000, Grant 1000003- 2017, CDBG 2017 in the following stand-alone CIP and annual allocation:

- a. S-15003 Park de la Cruz Community Center Improvements \$5,000,000
- b. ABT00003 Citywide Energy Improvements \$1,625,547

for the purpose of construction, contingent upon the adoption of the Fiscal Year 2017 Appropriation Ordinance.

- 15. Approve the allocation of CDBG funds for the Neil Good Day Center Improvements for an amount not to exceed \$150,000, contingent upon grant funding being secured.
- 16. Approve the allocation of CDBG funds for the Valencia Park/Malcolm X Teen Technology Center for an amount not to exceed \$500,000, contingent upon grant funding being secured.
- 17. Authorize the Chief Financial Officer to increase appropriations in Unobligated CDBG for program income revenue.
- 18. Authorize the Chief Financial Officer to transfer balances from declined, completed or ineligible projects to Unobligated CDBG.

STAFF RECOMMENDATION:

Approve the requested actions.

EXECUTIVE SUMMARY OF ITEM BACKGROUND:

Background

The City receives annual federal entitlement program allocations from the U.S. Department of Housing and Urban Development (HUD) and allocates these funds based on the City's approved Consolidated Plan (Con Plan). The Con Plan assesses community development and affordable housing needs, identifies six (6) high priority goals, and outlines strategies to help the City meet those goals. The current Con Plan for the City covers FY 2015 – FY 2019 and provides details regarding the following federal entitlement programs: the Community Development Block Grant (CDBG) Program, the Emergency Solutions Grant (ESG) Program, the HOME Investment Partnerships Program (HOME), and the Housing Opportunities for Persons with AIDS (HOPWA) Program.

The Con Plan established budgetary priorities for the CDBG allocations in the following categories: Capital Improvement Program, Community/Economic Development, Public Services, and Administration. The Capital Improvement Program consists of City Neighborhood Infrastructure Projects (City Projects) and Non-profit Capital Improvement Projects (NCIPs). City Projects were identified by a process established with the City's Capital Improvements Program Review and Advisory Committee (CIPRAC). All other projects were identified through a competitive Request for Proposal (RFP) application process.

In FY 2011, the City established a Consolidated Plan Advisory Board (CPAB) to serve in an advisory capacity to the Mayor, City Council and City management on policy issues related to the Con Plan and to provide recommendations regarding the allocation of HUD funds.

Inclusive of FY 2017, the CPAB has now served in an advisory capacity to the City Council regarding the CDBG allocation process for six (6) years.

Once approved, the allocations for the CDBG Program will be incorporated into the City's FY 2017 Annual Action Plan (AAP) which is required by HUD to receive federal funds. The approved CDBG allocations will be combined with the proposed uses for the ESG, HOME and HOPWA programs and included in the AAP tentatively scheduled for City Council review in April 2016. The City's FY 2017 AAP must be submitted to HUD by May 15, 2016; therefore, timely approval of the FY 2017 allocations requested in this report is critical in order to meet this federally mandated deadline.

CDBG Competitive Application Process

The FY 2017 CDBG application process was divided into a two-step process and, for the first time, both steps were conducted via an Online Grants Portal (OGP) rather than via hard copy applications. First, the City issued a Request for Qualifications (RFQ) available from October 26, 2015 through November 19, 2015. Fifty-seven (57) agencies provided RFQ responses to the City's Economic Development Department, Community Development Division (CDD) via the OGP. CDD staff reviewed these submittals for completeness and eligibility and each of the 57 agencies met all applicable requirements, possessed the overall capacity needed to carry-out eligible CDBG activities and were deemed "qualified" to participate in the subsequent Request for Proposals (RFP) process. RFPs were released by the City on January 4, 2016 and only qualified agencies were invited to respond.

Pursuant to Council Policy 700-02, all applicant agencies must attend a mandatory application workshop during the RFP phase in order remain eligible for consideration. A total of four (4) mandatory application workshops were conducted by CDD staff. This year, in an effort to make workshop attendance more convenient for qualified agencies, all RFP project categories were discussed at each of the workshops, thus giving applicants a more flexible scheduling choice. Workshop attendance details are as follows:

1.	January 6, 2016	9:30 a.m.	25 agencies	40 attendees
2.	January 6, 2016	1:00 p.m.	21 agencies	43 attendees
3.	January 11, 2016	9:30 a.m.	10 agencies	15 attendees
4.	January 11, 2016	1:00 p.m.	11 agencies	16 attendees

All applicant agencies were represented at the workshops, with several agencies attending more than one session. One agency withdrew from the RFP process and, subsequently, did not attend a workshop.

In addition to the mandatory workshops, applicants were provided with one-on-one technical assistance appointments during both the RFQ and RFP processes. From January 12th through January 22nd, CDD staff held a total of seventeen (17) 30-minute technical assistance meetings (totaling 8.5 hours) with applicant agencies. CDD staff also accepted questions via email, providing direct feedback on sixty-three (63) questions and/or inquiries. In addition, two (2) sets of "Frequently Asked Questions" were posted online and distributed to all prospective applicants.

Fifty (50) agencies submitted proposals by the submittal deadline of January 25, 2016 at 3:00 p.m. A total of fifty-nine (59) proposals were received, with some agencies submitting more than one proposal.

CDD staff reviewed fifty-nine (59) RFP submittal packages for completeness and eligibility. Based upon the results of the review, a total of three (3) applications were deemed ineligible. Two (2) were deemed ineligible because they were duplicate submittals in another RFP category and one (1) was ineligible because it did not meet the minimum funding request threshold established by Council Policy 700-02.

CPAB Review and Scoring

Fifty-six (56) RFP applications were forwarded to CPAB for review and scoring on February 5, 2016. Along with the RFP applications, the reviewers were provided with a reference binder including the following information:

1. FY 2017 CPAB Panel Handbook
(including the Conflict of Interest Statement and Confidentiality Agreement)
2. FY 2017 Scoring Criteria Scoring Sheets
3. List of Applicants and Proposed Projects
4. RFP Applications
5. Past Performance Tables for FY 2014 and FY 2015
6. Eligible Census Tract Tables
7. Maps of Geographic Targeting Areas
8. Reference materials from previous CPAB meetings

During the January 13, 2016 CPAB meeting, three (3) Ad Hoc committees were established for the purpose of discussing applications and exchanging considerations. The Ad Hoc committees were limited to no more than three (3) CPAB participants at any one time. A total of two (2) Ad Hoc committee meetings were held (with three CPAB participants in each). CDD staff was in attendance at each Ad Hoc committee meeting and provided technical assistance. A total of five (5) hours were dedicated to Ad Hoc meetings. Each Ad Hoc committee reviewed all fifty-six (56) applications. No group scores were developed and each reviewer was asked to complete his/her scoring forms independently. One CPAB member recused herself from the review and scoring of one (1) RFP application due to a potential conflict of interest.

As specified in the FY 2017 Scoring Criteria, CDD staff scored three sections of the RFP. These sections included:

1. Section 3. d. – Secured Funding (all projects)
2. Section 5. b. i. – Scope of Work eligibility (all projects)
3. Section 5. a. ii. – Environmental Review (Non-profit CIP projects only)

All CPAB members submitted complete scoring sheets by March 1, 2016. CDD staff calculated the average score for each proposal and segregated the listing by project category, ranking the projects in descending order (Attachments 1-4). The ranked project listings were posted on the City's CDBG webpage and emailed to the CDD distribution lists on March 4, 2016.

On March 9, 2016, the CPAB ratified the scores and funding recommendations as indicated in Attachments 1-4. The funding recommendations were based on the highest scoring applications and the funds available to fully fund requests.

City Neighborhood Infrastructure Projects

As previously mentioned, the Con Plan outlines high priority goals for the CDBG Program funds. One of the goals is to strengthen neighborhoods by investing in the City's critical public infrastructure needs to support neighborhood safety and improve livability.

As outlined in the Con Plan, CDD staff works with the City's Capital Improvements Program Review and Advisory Committee (CIPRAC) to review and recommend approval of City Neighborhood Infrastructure Projects (City Projects).

The process included:

- August 19, 2015: Call memorandum for project applications from City Asset-Owning Departments
- September 17, 2015: CIPRAC committee review and recommendation
- January 28, 2016: Full CIPRAC review and unanimous approval
- February 10, 2016: CPAB review and unanimous recommendation for approval

Each proposed project was reviewed and vetted by CDD staff to ensure HUD eligibility and consistency with Council Policy 700-02. Six (6) City Projects to improve city facilities that support underserved low- and moderate-income neighborhoods and residents are recommended for CDBG funding. These include improvements to the Park de la Cruz Community Center, Valencia Park/Malcolm X Library Teen Center, continued improvements to the Neil Good Day Center, and energy efficiency (such as installation of photovoltaic systems) and accessibility improvements at four City facilities. Highlights of these projects include: supporting the relocation of the Park & Recreation Department's Therapeutic Recreation and Senior Services programs, supporting the goals and objectives of the City's Climate Action Plan, and leveraging state and private resources.

Project descriptions can be reviewed in Attachment 5 to this report and the proposed City Projects were approved by the Infrastructure Committee on February 24, 2016.

Proposed FY 2017 CDBG Program Budget

The proposed FY 2017 CDBG Program Budget is comprised of the main three sources: the City's annual entitlement allocation, anticipated CDBG Program Income repayments, and estimated reprogrammed funds. Reprogrammed funds are derived from multiple sources, including CDBG projects that withdraw, cancel or return unexpended funds, as well as from unallocated balances of CDBG entitlement funds. Anticipated CDBG Program Income funds also originate from the CDBG Repayment Agreement between the City of San Diego and the former Redevelopment Agency.

The proposed budget was developed by using the budgetary priorities established by the City's Con Plan, Council Policy 700-02 and regulatory caps established by HUD. Additionally, CPAB approved additional budgetary priorities for the anticipated CDBG Program Income repayments at their December 9, 2015 meeting.

There is a 20% expenditure cap for Administration and Planning efforts established by CDBG regulations. Council Policy 700-02 requires that funding in the categories of Administration and Planning (including Fair Housing) be allocated from the City's overall annual allocation prior to making funds available to address other Consolidated Plan goals. In addition, HUD limits Public Services expenditures to 15% of the annual entitlement. The Public Services category has an added layer of budgetary requirements as defined by Council Resolutions R-307701 (dated October 3, 2012) and R-309666 (dated May 12, 2015), which create a "set-aside" of Public Services funds in the amount of \$1,318,078 for homeless programs and services.

Other components of the proposed FY 2017 CDBG Program Budget include the recommended budget priorities of ten percent (10%) of the annual entitlement allocation for Community/Economic Development projects and fifty-five percent (55%) for Capital Improvement Projects (CIP) (60% of this amount for City Projects and 40% for Nonprofit Projects).

In addition to the budgetary priorities above, the Economic Development Department is anticipating the receipt of an additional \$10.9 million in FY 2017 CDBG Program Income. This additional amount is the result of an agreement negotiated between the former Redevelopment Agency and HUD to repay the City's CDBG Program over the course of several years with escalating payments. With the dissolution of Redevelopment in the State of California in 2012, these payments were placed on hold. When Senate Bill (SB) 107 was enacted in September 2015, it permitted the Successor Agency to the Redevelopment Agency to revive the CDBG Repayment Agreement and the City's Successor Agency was permitted to include this debt repayment on the Tenth Recognized Obligation Payment Schedule (ROPS 10). The DOF has until April 15, 2016 to make a determination regarding the enforceable obligations listed on ROPS 10. Because these funds 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.

The Challenge Grant, a new project category, was created in anticipation of additional resources for the FY 2017 CDBG RFP process. The Challenge Grant is designed to fund projects that go above and beyond providing typical public services to serve highly vulnerable populations by creating new Youth Workforce Training opportunities and/or provide direct services to Veterans. All projects funded in the Challenge Grant category must meet the requirements of the Public Services category.

In relation to the FY 2017 CDBG RFP process, these budgetary priorities for the CDBG Program Income repayments include:

- Stabilization of the CDBG Entitlement at \$12.5 million
 - Increasing Public Services (PS) category funding to \$556,922
 - Increasing the Community & Economic Development (CED) category to \$1,250,000
 - Increasing the Non-profit Capital Improvement Program (NCIP) category to \$2,750,000.
- Creating Challenge Grant (CG) funding in the amount of \$654,726

Other CDBG Program Income budgetary priorities include:

- Creating an Affordable Housing Revolving Loan (AHRL) with the San Diego Housing Commission for down-payment assistance, homeowner repair, and permanent supportive housing utilizing up to \$4.6 million dollars
- Creating a Nonprofit Accelerator and additional administrative support for the creation of additional Revolving Loan Funds (RLFs), including Economic Development RLFs, with approximately \$429,073

The following table provides a summary of the proposed allocation of FY 2017 CDBG funds.

FY 2017 Categories	FY 2017 CDBG Entitlement and Reprogrammed Funds	FY 2017 CDBG Program Income (Repayments)	Total FY 2017 CDBG Proposed Budget
CDBG Entitlement	\$10,897,246	-	\$10,897,246
Stabilization of CDBG Allocation to \$12.5 million	-	\$1,602,754	\$1,602,754
Anticipated Total CDBG RFP Budget	\$10,897,246	\$1,602,754	\$12,500,000
PROGRAMS AND PROJECTS IDENTIFIED IN THE CONSOLIDATED PLAN			
Administration (20%)	\$2,179,449	\$320,551	\$2,500,000
Public Services (15%)	\$1,634,587	\$240,413	\$1,875,000
San Diego Housing Commission Homeless Services and Programs Set Aside	(\$1,318,078)	-	(\$1,318,078)
Public Services Projects	\$316,509	\$240,413	\$556,922
Total Public Services Funding Recommendations (Attachment 1)	-	-	(\$525,000)
<i>Remaining Public Services Balance</i>	-	-	\$31,922
Community/Economic Development (10%)	\$1,089,725	\$160,275	\$1,250,000
Total CED Funding Recommendations (Attachment 3)	-	-	(\$1,221,370)
<i>Remaining CED Balance</i>	-	-	28,630
Capital Improvement Projects Amount (55%)	\$5,993,485	\$881,515	\$6,875,000
Non-profit Capital Improvement Projects (NCIP-40%)	\$2,397,394	\$352,606	\$2,750,000
Total NCIP Funding Recommendations (Attachment 4)	-	-	(\$2,243,609)
<i>Remaining NCIP Balance</i>	-	-	\$506,391
City Neighborhood Infrastructure Projects (City Projects-60%)	\$3,596,091	\$528,909	\$4,125,000*
FUNDING ASSOCIATED WITH THE CDBG REPAYMENT –SUBSTANTIAL AMENDMENT BUDGETARY PRIORITIES			
Total City Projects Funding Available	*\$4,125,000	\$3,625,547	\$7,750,547
Total City Projects Funding Recommendations (Attachment 5)	(\$4,000,000)	(\$3,625,547)	(\$7,625,547)
<i>Remaining City Projects Balance</i>	\$125,000	\$0	\$125,000
Total Challenge Grant (CG)	-	\$654,726	\$654,726
Total Challenge Grant Funding Recommendations (Attachment 2)	-	-	(\$548,507)
<i>Remaining Challenge Grant Balance</i>	-	-	\$106,219
Affordable Housing Revolving Loan Fund	-	\$4,600,000	\$4,600,000
Non-profit Accelerator/Admin Support RLFs	-	\$429,073	\$429,073
TOTALS:	\$10,897,246	\$10,912,100	\$21,809,346

Please note, the above budget is an estimate until the final allocation from HUD is approved and the CDBG Repayment is approved by the State of California Department of Finance as requested in the Successor Agency's ROPS 10.

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 U.S. Department of Housing and Urban Development (HUD).

ENVIRONMENTAL IMPACT:

The proposed activities related to the acceptance and allocation of CDBG funds 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. Projects identified in the upcoming FY 2017 Annual Action Plan 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.

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 EOC Contract Compliance Office for conformance with all applicable requirements prior to their execution.

PREVIOUS COUNCIL and/or COMMITTEE ACTIONS:

On February 24, 2016, the Infrastructure Committee considered and approved CDBG funding for the City Neighborhood Infrastructure Projects listed in Attachment 5.

COMMUNITY PARTICIPATION AND OUTREACH EFFORTS:

The Consolidated Plan Advisory Board (CPAB) held publicly noticed meetings to discuss the FY 2017 RFP Application process, scoring criteria, City Projects and/or funding recommendations 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.

CPAB meeting notices, agendas and RFP scoring results 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.

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. Proposed FY 2017 Public Services Projects
2. Proposed FY 2017 Challenge Grant Projects
3. Proposed FY 2017 Community/Economic Development Projects
4. Proposed FY 2017 Non-profit Capital Improvement Projects
5. Proposed FY 2017 City Neighborhood Infrastructure Projects
6. City Council Resolution No. R-307701 (dated October 3, 2012) and City Council Resolution No. R-309666 (dated May 12, 2015)