



REPORT

DATE: For the Agenda of February 1, 2002

ITEM 101

REPORT NO: HCR 02-002

SUBJECT: Application for FY2003 Community Development Block Grant (CDBG) Funds (CITYWIDE)

SUMMARY

Issue: How should the San Diego Housing Commission (Commission) request that City Council allocate its FY2003 CDBG funds for housing purposes?

Recommendation: That the Chief Executive Officer:

1. Apply to the City for 20 percent of the City's FY2003 CDBG funds for affordable housing, in conformance with City Council Policy 700.02;
2. Execute a contract with the City for the amount allocated to the Commission and any additional amount, allocated to other agencies, which the Commission may be asked to administer on the City's behalf; and
3. Execute contracts with other agencies receiving CDBG allocations which the City Manager may ask the Commission to administer.

Fiscal Impact: CDBG funds are an essential source of operating revenue for a number of the Commission's programs, including unfunded and under-funded mandates, such as administering the City's Consolidated Plan, and could be available for housing programs as well. The City's preliminary estimate of its FY2003 federal entitlement grant is \$18,404,000; 20 percent would be \$3,680,800, but the amount the Commission receives may be substantially different from the amount requested. Therefore, it is not possible to quantify fiscal impact at this point in the allocation process.

Affordable Housing Impact: CDBG regulations state that at least 70 percent of expenditures be used for activities benefiting persons with income at or below 80 percent of median area income, with emphasis on persons and households below 50 percent of median area income. All CDBG funds allocated to the Commission will be used for purposes related to affordable housing.



Previous Related Actions: On June 25, 1996, City Council revised Council Policy 700-02 “(Community Development Block Grant Program)” to target 20 percent of the annual CDBG entitlement for affordable housing purposes. In each subsequent year, the Commission has authorized the Executive Director (now CEO) to apply for 20 percent of the City’s grant; most recently, on January 19, 2001 (HCR 01-010).

Future Related Actions: A projected allocation of CDBG funds will be included in the Commission’s FY2003 Budget which the Commission will consider in the Spring of 2002. Differences between the projected and actual allocation will be reconciled through a FY2003 Budget Amendment. City Council action allocating CDBG funds is expected in April or May 2002.

BACKGROUND

Since June 1996, when the City Council amended Council Policy 700-02 (CDBG Program) establishing a goal that 20 percent of the City’s annual CDBG entitlement “be used for affordable housing purposes,” the Commission has applied for 20 percent of the City’s CDBG funds. This amount was intended to include operating funds for eligible Commission activities, programmatic allocations to the Commission, and allocations to nonprofits to carry out their housing activities.

The amount allocated for all affordable housing purposes for FY02 was \$2,390,920, or approximately 12.6 percent of the total CDBG funds which the City received (\$18,950,000). Of the \$2,390,920 total allocated for housing in FY01, the Commission received \$1,449,420. The Commission is administering the remaining \$ 941,500 allocated to other agencies.

DISCUSSION

The City’s FY2003 CDBG entitlement estimate of \$18,404,000 will again be distributed according to the formula set forth in Council Policy 700.02: 40 percent to Citywide purposes and 60 percent to Council Districts, with the distribution to the Council Districts proportionate to their respective low income populations.

It is recommended that the Commission apply for 20 percent of the City’s FY2003 CDBG funds for affordable housing, or a total of \$3,680,800 comprised of \$1,900,000 from the Citywide portion, for Housing Commission program support and \$1,780,800 from the Council Districts, in proportion to their respective low income populations. The Commission’s share of the Council District funds requested would be the Council Districts’ allocation less any CDBG allocations for housing to nonprofit organizations which the Council may approve. The application deadline is February 4, 2002.

Housing affordability continues to be an issue in San Diego. According to the City’s current Housing Element, approximately forty percent (40%) of households in the City of San Diego are low-income, thus earning 80% or less than the median area income. The U.S. Department of Housing and Urban Development has established \$56,900 as the 2001 median annual area income for a family of four in the San Diego region; therefore a family of four at 80% or below median area income is earning less than \$45,500. Only 29 percent of the City’s population can afford to buy a home in San Diego with a median price of a home now at \$274,000 (as of November 2001 data). Additionally, according to the 2000 Census, 44% of households in the City of San Diego pay 30% or more of their income for their housing expense.

Other jurisdictions in California in FY02 allocated the following percentages of their CDBG allocation to affordable housing:

City of Sacramento - 26%
City and County of San Francisco - 31%
Orange County – 51%
City of Los Angeles – 25%

The Commission's appropriation from the Citywide portion typically funds a portion of the operating costs of Housing Finance & Development, Portfolio Servicing and Occupancy Monitoring and Rehabilitation, all of which carry out CDBG-eligible activities. The Council District portion typically funds specific program and project requests. This year Commission staff will be working with the Council Districts to propose specific uses of the monies for programs such as homeownership and rental rehabilitation programs. In recent years, most Council District CDBG funds allocated to housing have been targeted to nonprofits rather than to the Commission. The City's standard CDBG agreement with the Commission changes little from year to year, though the scope of services and contract budget vary in response to the specifics of the allocation.

ALTERNATIVES

Direct staff to apply for a different total amount or a different distribution of CDBG funds.

Respectfully submitted,

**Signature on File
With Original Document**

Approved by,

Jack D. Farris
Manager, Housing Finance & Development

Elizabeth C. Morris
Chief Executive Officer