

REPORT

DATE ISSUED: January 25, 2008 REPORT NO: HCR 08-10

ATTENTION: Chair and Members of the Housing Commission
For the Agenda of February 1, 2008

SUBJECT: Application for Fiscal Year 2009 Community Development Block Grant
(CDBG) Funds (Citywide)

REQUESTED ACTION:

Apply to the City for 20 percent of FY09 CDBG funds according to City Council Policy 700.02, and execute all necessary contracts.

STAFF RECOMMENDATION:

That the Interim President and Chief Executive Officer be authorized to:

1. Apply to the City of San Diego for 20 percent of the City's FY09 CDBG funds for affordable housing, in conformance with City Council Policy 700.02 (Attachment);
2. Execute a contract with the City for the amount allocated to the Housing Commission and any additional amount, allocated to other agencies, that the Housing Commission may be asked to administer on the City's behalf; and
3. Execute contracts with other agencies receiving CDBG allocations that the Housing Commission has agreed to administer.

BACKGROUND:

The CDBG Program is funded annually by the Department of Housing and Urban Development. The funding amount is determined by a formula that uses several objective measures of community needs, including the extent of poverty, population, housing overcrowding, age of housing and population growth lag in relationship to other metropolitan areas. There is a wide variety of eligible uses of funds including public facilities and improvements, economic development and business assistance, residential rehabilitation programs, affordable housing, public services, and community development and revitalization.

Since June 1996, when the City Council amended Council Policy 700-02 (CDBG Program) that establishes a goal that 20 percent of the City's annual CDBG entitlement "be used for affordable housing purposes," the Housing Commission has applied for 20 percent of the City's CDBG funds. This amount was intended to include operating funds for eligible Housing Commission activities, programmatic allocations to the Housing Commission (e.g., rehabilitation of owner-occupied homes, first-time homebuyer and multifamily rental loans), and allocations to community-based organizations to carry out their housing activities.

After reviewing the Affordable Housing Task Force's report, which was released in May 2003, the Land Use and Housing Committee of the City Council expressed interest in achieving the 20 percent policy target. The amount allocated for all affordable housing purposes in FY08 was \$2,268,728, or approximately 15 percent of the total CDBG funds that the City received, which is the same as the prior year. Of that amount, the Housing Commission received \$1,277,478 and is administering the remaining \$991,250, allocated to other agencies for housing purposes.

DISCUSSION:

CDBG funds are an essential source of operating revenue for a number of the Housing Commission's programs, including unfunded and under-funded mandates (such as preparing the City's Consolidated Plan), and are available for housing programs as well. The City will receive \$14,852,521 of CDBG funding in FY09, which is four percent less than the FY08 entitlement of \$15,424,594. The funds will be distributed according to the formula set forth in Council Policy 700.02: 40 percent to citywide purposes and 60 percent to Council Districts proportionate to their respective low income populations.

It is recommended that the Housing Commission apply for 20 percent, or approximately \$2,970,504, of the City's FY09 CDBG funds for affordable housing. This would be comprised of \$1,188,202 from the citywide portion (20 percent of the 40 percent citywide funds) for Housing Commission program support and \$1,782,302 from the Council Districts (20 percent of the 60 percent Council District funds). The application deadline is February 28, 2008.

The Housing Commission's appropriation from the citywide portion typically funds a portion of the operating costs of Housing Finance & Development, Loan Portfolio Servicing, Occupancy Monitoring and Rehabilitation, all of which carry out CDBG-eligible activities. The CDBG allocation each year is a significant funding source for the operating costs of these departments. Since FY04, the Housing Commission allocation of CDBG funding has remained constant while the cost of housing and related programs has increased.

Should the City make additional CDBG funding available to the Housing Commission, a wide range of activities could be undertaken including: predevelopment loans, housing development loans, capacity building assistance to nonprofit builders, monitoring of City land use requirements, or funding a program relating to foreclosure activity.

The City's standard CDBG agreement with the Housing Commission changes little from year to year, though the scope of services and contract budget varies in response to the specifics of the allocation.

AFFORDABLE HOUSING IMPACT:

CDBG regulations state that at least 70 percent of expenditures are to be used for activities benefiting individuals with incomes at or below 80 percent of Area Median Income (currently \$56,150 for a family of four), with emphasis on persons and households below 50 percent of Area Median Income (currently \$35,100 for a family of four). All CDBG funds allocated to the Housing Commission will be used for purposes related to low-income affordable housing.

ENVIRONMENTAL REVIEW:

The proposed activity is not a "project" within the meaning of the California Environmental Quality Act (CEQA) and no environmental review is required. This activity is exempt from review under the National Environmental Policy Act (NEPA) pursuant to 24 CFR 58.34.

Respectfully submitted,



Cissy Fisher
Director of Housing Finance and Development

Approved by,



Carrol M. Vaughan
Interim President & Chief Executive
Officer

Attachment: Council Policy 700-02

CITY OF SAN DIEGO, CALIFORNIA
COUNCIL POLICY

CURRENT

SUBJECT: COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM (CDBG)
POLICY NO.: 700-02
EFFECTIVE DATE: June 25, 1996

BACKGROUND:

The Housing and Community Development Act of 1974 established the Community Development Block Grant Program. The enabling legislation has been reviewed and amended by Congress every three years since 1974. The purpose of the CDBG program is to provide an annual source of funds to local governments for the purpose of implementing activities to develop viable urban communities, including decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income. Federal administration of the program is the responsibility of the U.S. Department of Housing and Urban Development. The City of San Diego has participated in the program since its inception.

PURPOSE:

To establish the general guidelines by which the City will select and implement activities utilizing Community Development Block Grant funds.

POLICY:

It is the policy of the City Council to allocate Community Development Block Grant funds in accordance with the following standards.

1. Selection and implementation of program activities that meet the Congressional intent of the program and the specific eligibility requirements as outlined by the U.S. Department of Housing and Urban Development.
2. Priorities of the Capital Improvements Program will be developed irrespective of whether or not the City is to receive Community Development Block Grant funds. Community Development Block Grant funds if received are to be used to supplement the City's Capital Improvements Program and not as a substitute for other City funds.
3. Funding will be allocated on a Fiscal Year basis (July 1 through June 30).
4. Allocation of Community Development Block Grant entitlement funds will be on an formulated basis, with 60% of the annual entitlement going to individual Council Districts and 40% allocated on a City-Wide basis. The percentage of funds each Council District will receive is based upon the number of low/mod individuals in each Council Districts when compared to the low/mod income population of the entire City. Data from the most recent census will be used to determine the percentage each Council District will receive.
5. Allocate 15% of each year's Community Development Block Grant entitlement funds to be expended for social services as defined in the applicable U.S. Department of Housing and Urban Development regulations.

CITY OF SAN DIEGO, CALIFORNIA
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CURRENT

6. The City occasionally provides “core” assistance to community development corporations to sustain a permanent basic staff capability to identify and advocate for the solution to community issues. The funding is generally used to maintain an office and permanent staff to carry out activities such as publishing a newsletter, identifying and addressing neighborhood issues, conducting community events and acting as an advocate for community empowerment. It is the policy of the Council to require CDCs to open their membership to the residents, businesses, and property owners of the communities served and require the Board to be elected by the membership, as a condition for eligibility to receive core operating support from the city.
7. A target of 20% of the annual Community Development Block Grant entitlement to be used for affordable housing purposes is hereby established. In addition, 100% of the housing loan repayments are pledged to the Housing Trust Fund for affordable housing purposes.

The targeted goal of 20% for affordable housing purposes can be specified projects and/or made available to the Housing Trust Fund at the discretion of the City Council.

HISTORY:

“Leasing of City-owned Property in Industrial Park”

Adopted by Resolution R-174133 01/10/1963

Repealed by Resolution R-208090 06/05/1973

“Community Development Block Grant Program (CDBG)”

Adopted by Resolution R-259072 08/15/1983

Amended by Resolution R-281638 03/22/1993

Amended by Resolution R-282395 07/26/1993

Amended by Resolution R-287559 06/25/1996