

REPORT

DATE ISSUED: November 14, 2008 REPORT NO: HCR 08-130

ATTENTION: Chair and Members of the Housing Commission
For the Agenda of November 21, 2008

SUBJECT: Application for Fiscal Year 2010 Community Development Block Grant
(CDBG) Funds (Citywide)

REQUESTED ACTION:

Apply to the City for 20 percent of FY10 CDBG funds according to City Council Policy 700-02 and execute a contract with the City for the amount ultimately allocated.

STAFF RECOMMENDATION:

That the President and Chief Executive Officer or designee be authorized to apply to the City of San Diego for 20 percent of the City's FY10 CDBG funds for affordable housing, in conformance with City Council Policy 700-02 (Attachment,) and execute a contract with the City for the amount allocated to the Housing Commission.

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 establishing 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.

The amount allocated for all affordable housing purposes in FY09 was \$2,116,991, or approximately 14 percent of the total CDBG funds that the City received, which is down slightly from the previous year. Of that amount, the Housing Commission received \$1,277,478 and another \$839,513 was awarded to nonprofit housing organizations.

DISCUSSION:

CDBG funds are an essential source of operating revenue for a number of the Housing Commission's programs and are available for housing programs as well. The City will receive approximately \$13,400,000 of CDBG funding in FY10, which is nine percent less than the FY09 entitlement of \$14,852,521. 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 \$2,680,000, of the City's FY10 CDBG funds for affordable housing. This would be comprised of \$1,072,000 from the citywide portion (20 percent of the 40 percent citywide funds) for Housing Commission program support and \$1,608,000 from the Council Districts (20 percent of the 60 percent Council District funds). The application deadline is December 17, 2008.

The Housing Commission's appropriation from the citywide portion typically funds a portion of the operating costs of Housing Finance, Loan Portfolio Servicing, Occupancy Monitoring and Rehabilitation, all of which carry out CDBG-eligible activities. A portion of the award (\$50,000) also provides partial funding for the Reinvestment Task Force. Each year since FY04, the Housing Commission has received \$1.277 million of CDBG funding 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 changed significantly in FY09. Due to stricter budgetary and reporting requirements imposed on the City from HUD-related audit findings, the City no longer is requesting the Housing Commission administer, on the City's behalf, contracts with housing-related nonprofit entities, such as Community Housing Works, Fair Housing Council, and Rebuilding Together San Diego. In years past, the Housing Commission would receive an administrative fee for such services, typically around 10 percent per contract.

FISCAL CONSIDERATIONS:

The City's preliminary estimate of its FY10 CDBG federal entitlement grant is \$13,400,000; 20 percent would be \$2,680,000. However, as in past years, the amount the Housing 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.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

None.

COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS:

The application for federal entitlement grants (which includes the City's CDBG entitlement grant) is referred to as the Consolidated Plan. The Consolidated Planning process includes a community input process, during which staff presents the Plan and requests feedback from each community planning group representing low and moderate income communities. Further, the process will be considered by the Land Use and Housing Committee and City Council in March and April 2010.

ENVIRONMENTAL REVIEW:

Application for funding is not a "project" within the meaning of the California Environmental Quality Act of 1970 and no environmental review is required. This activity is exempt from review under the National Environmental Policy Act pursuant to 24 CFR 58.34(a)(3).

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Residents of low and moderate income communities, community-based organizations, community planning groups, and other community development organizations.

Respectfully submitted,



Cissy Fisher For Cissy Fisher
Director of Housing Finance

Approved by,



Carrol M. Vaughan
Executive Vice President & Chief
Operating Officer

Attachment: Council Policy 700-02

Hard copies are available for review during business hours at the Housing Commission offices at 1122 Broadway, San Diego, CA 92101, Main Lobby and at the Office of the City Clerk, 202 C Street, San Diego, CA 92101. You may review complete docket materials on the San Diego Housing Commission website at www.sdhc.org.

CITY OF SAN DIEGO, CALIFORNIA
COUNCIL POLICY**CURRENT**

SUBJECT: COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM (CDBG)
POLICY NO.: 700-02
EFFECTIVE DATE: February 11, 2008

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.

CITY OF SAN DIEGO, CALIFORNIA
COUNCIL POLICY

CURRENT

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.
6. 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.
7. No allocation of CDBG funds will be made to a project for which a CDBG application has not been received by the City.
8. No allocation of CDBG funds will be made to a project of less than \$25,000, unless funding at a lesser amount is necessary to complete a project. (It is the intent of the City Council that this policy serve to reduce the total number of CDBG-funded contracts annually.)
9. A Community Based Development Organization (CBDO) certification process will be conducted in an effort to fund eligible project activities, as defined in the applicable U.S. Department of Housing and Urban Development regulations.
10. No allocation of CDBG funds will be made to a subrecipient project in the category of "Planning," except for those subrecipients certified by the City as a Community Based Development Organization.
11. All CDBG applicants shall attend mandatory workshops hosted by City staff during the annual CDBG application period.
12. All CDBG funds allocated to projects shall be used within three years of the date of the allocation, or such funds will be subject to reprogramming by 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

Amended by Resolution R-303367 - 02/11/2008