



CITY OF POMONA COUNCIL REPORT

April 3, 2017

To: Honorable Mayor and Members of the City Council

From: Linda Lowry, City Manager

Submitted By: Benita DeFrank, Neighborhood Services Director

Subject: Public Hearing – Approval of the Draft 2017-2018 Annual Action Plan Funding Recommendations for Community Development Block Grant (CDBG), HOME Investment Partnership Act (HOME) and the Emergency Solutions Grant (ESG) Funds

OVERVIEW

Recommendation – That the City Council conduct a public hearing and after hearing all public comments, discussion and any amendments, adopt the attached resolution establishing:

1. Funding awards for the Fiscal Year (FY) 2017-18 Community Development Block Grant and Emergency Solutions Grant Programs;
2. Funding recommendations for the FY 2017-18 Home Investment Partnership Program; and
3. Including the funding awards in the Annual Action Plan.

Fiscal Impact – The FY 2017-18 formula entitlement allocation is estimated to be \$2,698,394 based on the FY 2016-17 allocation. The formula programs are:

- Community Development Block Grant (CDBG) Program (Fund 213) with funding estimated at \$1,982,076;
- HOME Investment Partnership (HOME) Program (Fund 214-1793) with funding estimated at \$535,235; and
- Emergency Solutions Grant (ESG) Program (Fund 212-1791) with funding estimated at \$181,083.

In addition, the City anticipates receiving approximately \$3,090 in CDBG Program Income and \$199,993 in HOME Program Income during FY 2016-17, which will be appropriated to new or existing eligible projects as part of the FY 2017-18 Operating Budget adoption process.

Public Noticing Requirements – Notice was published on March 23, 2017, in the Inland Valley Daily Bulletin for the April 3, 2017 Public Hearing.

Previous Related Action –On June 10, 2013, the City Council approved the FY 2013-2018 Consolidated Plan. On May 2, 2016, the FY 2016-2017 Annual Action Plan was adopted.

EXECUTIVE SUMMARY

Each year the City engages in a public hearing process to determine use of the funds allocated by the U.S. Department of Housing and Urban Development through the Annual Action Plan process. These funds include the Community Development Block Grant (CDBG) program, the HOME Investment Partnership (HOME) program and the Emergency Solutions Grant (ESG) program. The process includes citizen participation, a call for proposals and award of funds. Currently, the City has not received its FY 2017-18 allocations of these funds, but HUD has provided direction to plan according to estimated figures, based on current levels of funding. These funding levels include: Community Development Block Grant (CDBG) program funding at \$1,982,076, Home Investment Partnership (HOME) program funding at \$535,235 and Emergency Solutions Grant (ESG) program funding at \$181,083. The total anticipated funding is estimated to be \$2,698,394.

DISCUSSION

FY 2017-2018 Annual Action Plan

The U.S. Department of Housing and Urban Development (HUD) requires development of an Annual Action Plan for cities to receive Federal funds. The Annual Action Plan serves as the official application for these funds. The Annual Action Plan must indicate the activities the City will undertake to address its priority needs and local objectives as outlined in its approved five-year Consolidated Plan. The City of Pomona is entering the fifth year of its existing Five-Year Consolidated Plan (2013-2018). The Annual Action Plan is due to HUD forty-five days prior to the start of the fiscal year or May 17, 2017 for this application cycle. This is a mandatory deadline that must be met in order to receive the Consolidated Plan funding. However, due to the uncertainty of the Federal budget and the fact that cities may not have final funding allocations by May 2017, HUD has granted an extension of Action Plan submissions until August 16, 2017, if necessary.

On March 16, 2017, the Office of Management and Budget (OMB) published the proposed Federal budget which included elimination of the CDBG and HOME programs. However, there is opposition from Congress, State, County and local entities. Thus, cities have been instructed to plan according to estimated figures, based on current levels of funding. Annually, the City of Pomona receives Federal entitlement funding from HUD under the following programs: CDBG program (Fund 213), HOME program (Fund 214-1793) and ESG Program (Fund 212-1791).

Citizen Participation

In anticipation of receiving funding, staff completed the required citizen participation component for development of the Action Plan. On October 3, 2016, a Community Needs Survey was made available to Pomona residents to solicit community input. The survey was placed on the City's website for online completion, and hard copies were delivered to thirteen community service centers. In addition, the survey was made available at four community meetings. Outreach efforts to promote the online survey included: mailing postcards to over 43,500 households, informing residents of community meetings/forums and requesting their input via the Community Needs Survey. Additional notification regarding the availability of the survey was posted on the citywide Nixle-system, Facebook, Twitter and in La Voz and Inland Valley Daily Bulletin Newspapers. Survey responses were accepted through January 31, 2017. As a result of outreach efforts, approximately 899 surveys have been received. Final survey results are provided in Attachment 5.

Annual Fund Amounts

It is estimated that the City will receive the following entitlement allocations: Community Development Block Grant (CDBG) program funding at \$1,982,076 Home Investment Partnership (HOME) Program funding at \$535,235 and Emergency Solutions Grant (ESG) program funding at \$181,083. The total anticipated funding is estimated to be \$2,698,394. These funding totals represent the amounts that were received for FY 16-17.

In addition to annual entitlement allocations, the City also has approximately \$3,090 available in CDBG Program Income and \$199,993 in HOME Program income for use during FY 2017-18. The Program Income will be appropriated to new or existing eligible projects as part of the FY 2017-18 Operating Budget adoption process. Any additional program income generated during FY 16-17 will be allocated to new or existing projects during the mid-year reallocation of funds.

The FY 2017-18 Entitlement Program allocations, along with the requested Program Income are listed below:

2017-18 ENTITLEMENT ALLOCATIONS & REALLOCATED FUNDS	AMOUNT
Community Development Block Grant (CDBG)	\$1,982,076
HOME Investment Partnership Program (HOME)	\$535,235
Emergency Solutions Grant (ESG)	\$181,083
ENTITLEMENT ALLOCATIONS TOTAL	\$2,698,394
FY 2015-16 CDBG Anticipated Program Income	\$3,090
FY 2015-16 HOME Anticipated Program Income	\$199,993
TOTAL	\$2,901,477

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM

The primary purposes of (CDBG) Program funds are to: 1) provide decent housing; 2) provide a suitable living environment; and 3) expand economic opportunities, principally for low-to-moderate income persons. In accordance with the CDBG national objectives, an activity must meet one of three objectives: 1) serve low-moderate income persons; 2) aid in the elimination of slum and blight; or 3) address recent, urgent health or welfare needs (e.g., natural disaster). An activity may be eligible because it either benefits an area (activity serves a census tract which has 51% or more low-moderate income persons) or a limited clientele (persons and families with low-to-moderate income). More than 70% of all funds must be expended to assist low-to-moderate income persons and families. The City plans to expend 100% of CDBG funds to benefit low-to-moderate income persons and families.

Community Development Block Grant Low and Moderate Income Area Benefit

The Low and Moderate Income Area (LMA) benefit category is the most commonly used national objective for activities that benefit a residential neighborhood. An area benefit activity is one that benefits all residents in a particular area, where at least 51% of the residents are Low to Moderate Income (LMI) persons. The LMA is determined by census data at the block group level, which is a smaller subset of the census tract. By City Council policy, within the City of Pomona, funding is distributed to each Council District based on the percentage of LMA within each district.

LMA percentages for each Council District are attached and staff will be utilizing funding percentages for CDBG district allocations (See Attachment 1 - Exhibit A and Attachment 2). Regardless of District allocations or percentage, project expenditures can only be made within the current HUD recognized LMA or on projects related to eligible LMI residents (See Attachment 3 for a CDBG Eligible Area Map).

Community Development Block Grant Eligible Activities

Eligible activities fall into five general categories: Administration/Planning, Housing, Economic Development, Public Service, or Capital Improvement. Certain activities are not eligible, including single event functions, contingency funds, on-going clean-up activities, or improvements to buildings and areas for the general conduct of government (except in the case of improvements designed to assist the disabled in public areas as required by the Americans with Disabilities Act).

Listed below is the breakdown of proposed CDBG funding allocations for FY 2017-18, based on HUD requirements. The amounts provided under “capped” categories are rounded down in dollar amount to ensure that these regulatory caps are not exceeded.

CDBG CATEGORY	AMOUNT	CAP
Public Service	\$ 297,311	(15% cap)
Non-Public Service Activities	\$1,288,350	(No cap)
Administration	\$ 396,415	(20% cap)

TOTAL AVAILABLE FUNDING: \$1,982,076

CDBG Program Income

The City anticipates that it will receive approximately \$3,090 in CDBG Program Income prior to FY 2017-18 from principal and interest payments for loans paid off from a housing loan portfolio that has been in existence since 1995. It is proposed that in the FY 2017-18 City Operating Budget that this amount be appropriated to Housing Services in an effort to maintain current housing programs and staff to provide loan processing, housing counseling, preparation of work specifications, and housing inspections.

Citywide

Based on input from the Community Needs Survey and from City departments, there is a need for CDBG-funded citywide activities that otherwise could not be provided. These include projects that have been funded previously such as parks and recreation services, infrastructure projects, anti-crime programs and code enforcement. The fiscal impact of a reduction or loss of CDBG funding would require the City to fund these activities from the General Fund or to significantly reduce and/or eliminate many of these services that principally benefit low-to-moderate income residents of the City. Staff is proposing additional service programs designed for both the elderly and teens. Citywide needs were given a priority in funding recommendations and include:

Code Enforcement	Infrastructure – Curbs, Sidewalks, Alleys
Community Oriented Policing Program	Fair Housing Services
Housing Services	Public Service Programs
Homeless Services Programs	Housing Improvement Programs

Request for Proposal submittals, Late Requests, and Rejections:

This year, the City received 30 applications for CDBG funds, excluding Administration. Of the 30 applications, two were not recommended for funding by staff due to concerns regarding the scope of service, eligibility of duplication of service. No late responses to the City's Request for Proposals to agencies were accepted. A list of the agencies that submitted applications, along with performance information for agencies previously funded, is attached. (See Attachment 4)

CDBG Program Administration

A total of \$396,415, or 20 percent of the total anticipated CDBG funding allocation, is available in FY 2017-18 for Administration of the CDBG program, including general management, oversight, and coordination and monitoring of programs. HUD requires that municipalities cap administration costs at 20 percent of the total funding allocation.

Public Service Category

The City has received a number of public service requests from City departments, as well as from community agencies. Based on community input, there is a continuing need for youth services, homeless services, and services to seniors. There is also an ongoing need for activities focused on safety and security. Staff is proposing a continuation of CDBG funding for the Police Department's Community Problem Oriented Policing (CPOP) Program. This program provides one officer for community policing and ombudsmen services in the City's residential low-to-moderate income neighborhoods. Under CDBG regulations, this program is considered to be a public service activity.

Another high priority need this year will be for Homeless Services. There is a public service request for the continuation of a CDBG Homeless Services Program which was funded in FY 16-17, providing an increase in services to the homeless.

The City also recommends funding after school recreation and youth programs. Public agency requests include youth services, leadership development, homeless services, counseling, food programs, education and services to victims of domestic violence.

The following table is a breakdown of available FY 2017-18 public service funds, including Federally-mandated Fair Housing Services in the amount of \$30,000, which is included in the HUD-required 15 percent public services cap.

CATEGORY	AMOUNT
Fair Housing Services	\$ 30,000
Other Public Service Activities	\$ 267,311

TOTAL AVAILABLE FUNDING: \$297,311

Non-Public Service Category

Non-public services include capital improvements, housing programs and Code Enforcement. In the Code Enforcement Division, the cost of operations and personnel are shared with the City's General Fund. This is based on the percentage of time spent in CDBG-eligible areas versus time spent in non-CDBG eligible areas. In accordance with Federal requirements, staff has identified target areas in which to concentrate CDBG-funded Code Enforcement activities. These target areas are based on a variety of factors, including the number of police reports, the number of code complaints filed, the number of abatements performed and the existence of Neighborhood Watch organizations within the area and those areas that are considered deteriorated. Areas must also be designated as slum and blighted areas.

In addition, staff is proposing to fund Housing Services in an effort to maintain current housing programs and staff to provide loan processing, housing counseling, preparation of work specifications in housing related projects, and housing inspections. Staff is also proposing continued infrastructure improvements based on Council direction, specifically ADA curb ramp improvements as proposed in consultation with the Public Works Department. Finally, the non-public service category includes \$10,600 on federally mandated Section 108 Loan re-payments.

HOME INVESTMENT PARTNERSHIP PROGRAM

The Home Investment Partnership Program (HOME) funds are used for the preservation and creation of affordable housing. Eligible activities include Single-Family Housing Rehabilitation, Multi-Family Housing Rehabilitation, First-Time Home Buyer Programs and Tenant-Based Rental Assistance. Below is a listing of eligible categories for the HOME Program and estimated funding levels.

CATEGORY	AMOUNT	CAP
Community Housing Development Organizations	\$ 79,857	(15% cap)
Administration	\$ 53,238	(10% cap)
Tenant Based Rental Assistance (TBRA)	\$125,000	(no cap)
First-Time Homebuyer Program	\$ 274,287	(no cap)
Single-Family Housing Rehabilitation	\$0	(no cap)

TOTAL AVAILABLE FUNDING: \$532,382

HOME Program Income

The City anticipates receiving approximately \$199,993 in HOME Program Income during FY 2016-17, which will be appropriated to new or existing eligible projects as part of the FY 2017-18 Operating Budget adoption process. It is proposed that in the FY 2017-18 City Operating Budget that \$179,994 (90%) of this HOME Program Income is appropriated for Single-Family Housing Rehabilitation and \$19,999 (10%) is appropriated for HOME Program Administration.

EMERGENCY SOLUTIONS GRANT PROGRAM

Emergency Solutions Grant (ESG) program activities place emphasis on moving homeless persons from tentative, unstable living situations to more permanent, stable housing, and self-sufficiency.

These activities fall under six basic funding categories as listed below, pursuant to the Homeless Emergency Assistance and Rapid Transition to Housing Act of 2009 (HEARTH Act), enacted into law on May 20, 2009. Each category requires a mandated 100% match for funds expended, except for Administration. To meet this obligation, each agency receiving ESG funds from the City are required to identify the source of its matching funds as part of the application process. The City operated programs provide match through the salaries of non-ESG funded staff that assist in administering the ESG grant. Amounts funded in Street Outreach, Emergency Shelter and Administration cannot exceed the statutory caps as regulated by HUD. The categories and suggested funding amounts for FY 2017-18 appear below:

ESG CATEGORY	AMOUNT	CAP
Homeless Prevention	\$0	(No cap)
Street Outreach	\$0	(60% cap)
Emergency Shelter	\$108,649	(60% cap)
Rapid Re-Housing	\$0	(No cap)
HMIS	\$58,853	(No cap)
Administration	\$13,581	(7.5% cap)

TOTAL AVAILABLE FUNDING: \$181,083

The City did not solicit a Request for Funding Proposals for Homeless Services using ESG funds for FY 2017-2018 because the City is building a year-round emergency shelter and ESG funds will be utilized primarily for shelter operations. The total funding available for ESG activities is \$181,083 (See Attachment 1 - Exhibit B)

Preliminary Funding Recommendations

Preliminary funding recommendations, as submitted by staff (See Exhibit A), are based on priorities as established by prior year funding, Councilmember input, resident survey data and the good standing of agencies as established through annual performance evaluations. Under the direction of the Council, staff is authorized to bring the applications for funding to the City Council for a public hearing on April 3, 2017. The final meeting for adoption of the Annual Action Plan is tentatively scheduled for May 1, 2017, contingent on HUD funding availability. The Annual Action Plan is due by May 17, 2016 or by August 16, 2017, if an extension is required due to pending funding notification.

Attachments: 1) Resolution

Exhibit "A" – 2017-18 CDBG Funding Options with New Funding Allocations

Exhibit "B" – 2017-18 ESG Funding Options

2) 2010 CDBG Formula Allocations

3) 2010 CDBG Eligible Area Map (Updated Final Version)

4) RFP Funding Requests/Eligibility/Performance (Information Binder)

5) 2017-18 Community Needs Survey