

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Planning and Building	(2) MEETING DATE 7/12/2016	(3) CONTACT/PHONE Tony Navarro, Planner III / (805) 781-5787	
(4) SUBJECT Hearing to consider (1) a resolution approving amendments to the 2010, 2011, 2012, 2013 and 2014 Action Plans to reallocate \$236,418 of Community Development Block Grant (CDBG) funds from the City of Atascadero to the City of Morro Bay; and (2) a resolution approving an amendment to the 2011 Action Plan to reallocate \$4,169 City of Arroyo Grande CDBG funds. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board: <ol style="list-style-type: none"> 1. Adopt the resolution approving the amendment of the 2010, 2011, 2012, 2013 and 2014 Action Plans as requested by the City of Atascadero and the City of Arroyo Grande to reallocate CDBG funds; and 2. Adopt the resolution approving an amendment to the 2011 Action Plan to reallocate City of Arroyo Grande CDBG funds. 			
(6) FUNDING SOURCE(S) CDBG Funds	(7) CURRENT YEAR FINANCIAL IMPACT \$0.00	(8) ANNUAL FINANCIAL IMPACT \$0.00	(9) BUDGETED? Yes
(10) AGENDA PLACEMENT { } Consent { } Presentation <input checked="" type="checkbox"/> Hearing (Time Est. <u>30 min.</u>) { } Board Business (Time Est. <u> </u>)			
(11) EXECUTED DOCUMENTS <input checked="" type="checkbox"/> Resolutions { } Contracts { } Ordinances { } N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: <input type="checkbox"/> 4/5 Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? Yes		(16) AGENDA ITEM HISTORY { } N/A Date: <u>Date: May 4, 2010; May 10, 2011; March 20, 2012; March 5, 2013 and February 25, 2014</u>
(17) ADMINISTRATIVE OFFICE REVIEW Lisa M. Howe			
(18) SUPERVISOR DISTRICT(S) All Districts			

County of San Luis Obispo



TO: Board of Supervisors

FROM: Planning and Building / Tony Navarro, Planner III

VIA: Trevor Keith, Deputy Director, Policies and Programs

DATE: 7/12/2016

SUBJECT: Hearing to consider (1) a resolution approving amendments to the 2010, 2011, 2012, 2013 and 2014 Action Plans to reallocate \$236,418 of Community Development Block Grant (CDBG) funds from the City of Atascadero to the City of Morro Bay; and (2) a resolution approving an amendment to the 2011 Action Plan to reallocate \$4,169 City of Arroyo Grande CDBG funds. All Districts.

RECOMMENDATION

It is recommended that the Board:

1. Adopt the resolution approving the amendment of the 2010, 2011, 2012, 2013 and 2014 Action Plans as requested by the City of Atascadero and the City of Arroyo Grande to reallocate CDBG funds; and
2. Adopt the resolution approving an amendment to the 2011 Action Plan to reallocate City of Arroyo Grande CDBG funds.

DISCUSSION

Background

The County of San Luis Obispo administers the Community Development Block Grant (CDBG) program under the United States Department of Housing and Urban Development (HUD). CDBG funds provide local governments with ability to address a variety of community development needs that primarily benefit low and moderate income persons.

The CDBG funds are administered as part of the "Urban County" of San Luis Obispo, which includes the County of San Luis Obispo and the following cities: the City of Arroyo Grande, the City of Atascadero, the City of Paso Robles, the City of Pismo Beach, the City of Morro Bay and the City of San Luis Obispo. The City of Grover Beach is not part of the Urban County and pursues federal funding on their own.

Each participating jurisdiction of the Urban County receives a share of CDBG funds through the approval of the annual Action Plan to spend on priority needs in that jurisdiction. Most of the cities primarily use CDBG funds to help comply with the Americans with Disabilities Act of 1990 (ADA), through the installation of curb cuts, sidewalks and other public facility improvements. Such improvements eliminate barriers and provide access and opportunities to persons with physical impairments.

In mid-2015, County staff discussed with some of its participating jurisdictions the urgency to commit and spend CDBG funds based on direction from HUD. Essentially, any uncommitted CDBG funds could be a target of future de-obligations. Although not an official action by HUD at present, the County wants to eliminate this possibility and spend the previously allocated funds. The County and the City of Atascadero began discussions about the use of previously allocated CDBG funds for their outstanding ADA projects in mid-2015.

County staff explored the possibility of reallocation with the participating jurisdictions. For the reasons identified above

the County released a notice on April 8, 2016 to all the participating jurisdictions to inform them of the availability of the funds. In addition, the County wanted to provide the participating jurisdictions an opportunity to identify projects in an open process. The City of Morro Bay, expressed interest in the funds to help meet their ADA priorities in the downtown area as their jurisdiction contained many projects that are ready to be constructed.

In addition, the City of Arroyo Grande proposes the amendment of the 2011 Action Plan to reallocate CDBG funds from one project to consolidate funding to a “shovel ready” project.

City of Atascadero CDBG Funds

The County approached the City of Atascadero Public Works Department about the possible reallocation of CDBG funds to another participating jurisdiction. The City was receptive to reallocate CDBG funds in an effort to preserve the funds at the local level, as long as the County assured the return of their funds to help meet ADA needs sometime in the future when the City has projects ready for construction (Attachment 3).

City staff identified \$236,418.50 in CDBG funds available for reallocation purposes. The reallocation is necessary because:

- The City of Atascadero does not have “shovel ready” CDBG eligible projects,
- Need to commit and expend the CDBG funds to help meet the timely expenditure requirement of HUD, and
- The oldest funds from 2010 are nearing a term limit before funds are no longer available to the County.

“Shovel Ready” Project

While the City of Atascadero continued to identify the need to fund ADA improvements and allocated CDBG funds for such improvements, the ADA projects did not move forward. The City of Atascadero experienced turnover resulting in staff shortages that contributed to project delays, but the City also has a challenge to meet ADA compliance in difficult to improve areas that further delayed the expenditure of funds.

Meanwhile, the CDBG funds allocated to the City of Atascadero remain “uncommitted”, and risk the possibility that HUD will reduce future CDBG allocations to the Urban County by the uncommitted amount.

“Timeliness”

The term “timeliness” refers to how quickly the County is able to commit and expend CDBG funds. If the County exceeds the threshold in its line of credit or does not spend down CDBG funds within specified time limits, HUD can withhold future grant funding until the County effectively spends the existing funds. Every April 30th HUD reviews the County’s balance of CDBG funds to ensure compliance with the federal regulations regarding timeliness.

The Urban County met the last timely expenditure test on April 30, 2016. However, the funds proposed for reallocation here did not contribute to the expenditure goal, and the unspent funds pose a risk to the Urban County not meeting the next expenditure test on April 30, 2017.

Use it or Lose it

According to the National Defense Authorization Act of 1991, recipients of federal funds have a total of eight years to obligate and expend CDBG funds. After eight years, HUD captures unspent funds and the funds are no longer available in the County’s line of credit.

The oldest uncommitted City of Atascadero CDBG funds are from 2010. As part of routine monitoring, HUD could question the need for the uncommitted funds and/or reduce a future allocation. The County would like to avoid the de-obligation or reduction of Urban County funds through reallocation and use on a shovel ready project.

As a condition to reallocate, the City of Atascadero requires that the recipient of the reallocated CDBG funds return the share, back to Atascadero when the City has a “shovel ready” project. The reallocation of funds is a dollar-per-dollar reallocation that will likely begin with the 2017 Program Year.

City of Morro Bay Application

The City of Morro Bay was the only participating jurisdiction to respond to the April 8, 2016 notice. On April 15, 2016, the City submitted a letter of interest to the County with a project description for their "Pedestrian Accessibility" Project for their downtown area (Attachment 4). The City of Morro Bay indicated that they would be able to comply with the required drawdown deadline.

In the letter, the City noted the need for the CDBG funds as "... the City has large number of streets that are not ADA accessible and/or in need of pedestrian accessibility improvements. The request for a commitment of the reallocated Atascadero funds would allow the City to provide more pedestrian accessibility and is within the same project area as evaluated in the NEPA review completed in 2013."

Because the County discussed the reallocation of funds with its participating jurisdictions the City of Morro Bay was proactive to present the reallocation concept to its City Council. On December 8, 2015, the Morro Bay City Council pre-approved the request to receive additional CDBG funds.

In recent years, the staff from the City of Morro Bay expressed interest in obtaining additional CDBG funds to meet a City priority for ADA needs in the downtown area. With an annual CDBG allocation of approximately \$60,000, it would take the City many years to comply with the sizable demand for ADA improvements. Since 2012, when the City of Morro Bay joined the Urban County, the City has spent all of its CDBG allocations and completed its projects as scheduled.

Reallocation of Funds Back to the City of Atascadero

With the cooperation of the City of Morro Bay and the County, the City of Atascadero has a few options available for the reallocation of funds back to the City of Atascadero. All options include the County condition that the City of Atascadero must have a "shovel ready" project to receive the funds. The reallocation of CDBG funds back to the City of Atascadero will depend on the City's project funding needs and project competitiveness until such time that the City of Atascadero is reallocated the \$236,418.

Because the City of Atascadero does not currently have CDBG eligible "shovel ready" projects for the expenditure of CDBG funds, a reallocation "schedule" of future CDBG funds is unknown at the present time. County staff is in the process of drafting a 3-way agreement between the two cities and the County regarding the overall reallocation of CDBG funds. In part, the draft agreement identifies the conditions for continued participation in the Urban County by the City of Morro Bay until the City of Atascadero is reallocated its funds. It also identifies that an application by the City of Atascadero for a reallocation is not a guarantee of funds as the City's application must demonstrate a feasible and "shovel ready" project that must compete for CDBG funds.

The County will continue to work with both cities to review eligible projects and execute specific agreements between the cities and the County for the reallocation of funds.

Reallocation of CDBG funds

The County recommends the reallocation of the City of Atascadero CDBG funds to the City of Morro Bay's "Pedestrian Accessibility Project" for a total of \$236,418.50. The proposed reallocation of funds is as follows:

Proposed Amendments to the 2010 Action Plan

Proposed new project: Reallocate \$9,545.48 from the "Atascadero Lake Park Pathway Barrier Removal Project" by the City of Atascadero in the 2010 Action Plan to the "Pedestrian Accessibility Project" by the City of Morro Bay.

Proposed Amendments to the 2011 Action Plan

Proposed new project: Reallocate \$10,068.85 from the "Atascadero Lake Park Pathway Barrier Removal Project" by the City of Atascadero in the 2011 Action Plan to the "Pedestrian Accessibility Project" by the City of Morro Bay.

Proposed Amendments to the 2012 Action Plan

Proposed new project: Reallocate \$47,329.83 from the "Atascadero Lake Park Pathway Barrier Removal Project" by the City of Atascadero in the 2012 Action Plan to the "Pedestrian Accessibility Project" by the City of Morro Bay.

Reallocate \$55,000 from the "ADA Improvements" by the City of Atascadero in the 2012 Action Plan to the "Pedestrian Accessibility Project" by the City of Morro Bay.

Reallocate \$731 from the "Recreational Opportunities for Disabled Persons" by North County Adaptive Sports Program in the 2012 Action Plan to the "Pedestrian Accessibility Project" by the City of Morro Bay.

Proposed Amendments to the 2013 Action Plan

Proposed new project: Reallocate \$75,530 from the "Atascadero Lake Park Pathway Barrier Removal Project" by the City of Atascadero in the 2013 Action Plan to the "Pedestrian Accessibility Project" by the City of Morro Bay.

Reallocate \$19,240.89 from the "Administration by the City of Atascadero" in the 2013 Action Plan to the "Pedestrian Accessibility Project" by the City of Morro Bay.

Proposed Amendments to the 2014 Action Plan

Proposed new project: Reallocate \$17,989.71 from the "Administration by the City of Atascadero" in the 2014 Action Plan to the "Pedestrian Accessibility Project" by the City of Morro Bay.

Reallocate \$982.74 from the "Atascadero Domestic Violence Shelter HVAC Improvements Project" by RISE in the 2014 Action Plan to the "Pedestrian Accessibility Project" by the City of Morro Bay.

The award of \$236,418 in CDBG funds is four times the approximate \$60,000 annual allocation received by the City of Morro Bay.

City of Arroyo Grande CDBG Funds

In an effort to consolidate older and unused CDBG funds, on June 14, 2016 the Arroyo Grande City Council reallocated \$4,169 in 2011 Action Plan CDBG funds from the "Solar Affordable Housing Program" by GRID Alternatives to the "Mid-Block Crosswalk Architectural Barrier Removal Project" which is currently under construction. The reallocation is necessary as GRID Alternatives finished locating and installing income eligible households with deed restricted affordable houses in Arroyo Grande and the expenditure of funds will contribute toward the timely expenditure of CDBG funds.

OTHER AGENCY INVOLVEMENT/IMPACT

County staff consulted with the participating cities of the Urban County. Staff also provided assistance to the cities of Atascadero and Morro Bay to facilitate their decision on the reallocation. In addition, the City of Arroyo Grande communicated with the County on their separate reallocation. County Counsel reviewed and approved the attached resolution as to its form and legal effect.

BUSINESS IMPACT STATEMENT

A Board action to reallocate CDBG funds will contribute to the Building Design and Construction Cluster industry and allow the expenditure of federal funds for construction related activities.

FINANCIAL CONSIDERATIONS

The CDBG program provides funding to cover County costs of administering the amendments to the Action Plans as requested. A budget adjustment is not necessary as the result of the reallocation of CDBG funds. In addition, the reallocation of funds from multiple projects consolidated into one project will reduce the County's administrative responsibilities that will have benefits through the year 2020.

RESULTS

The result of this hearing will facilitate public facility improvements at the cities of Atascadero, Morro Bay and Arroyo Grande. The reallocation of funds will also improve the Urban County's efforts to comply with federal regulations for the expenditure of funds from the federal Department of Housing and Urban Development. Funded activities will further the Communitywide Indicators of the Prosperous Community through housing programs and improve infrastructure.

ATTACHMENTS

- Attachment 1 – Resolution for the Reallocation of City of Atascadero CDBG funds
- Attachment 2 – Resolution for the Reallocation of City of Arroyo Grande CDBG funds
- Attachment 3 – City Manager of Atascadero Letter of Support
- Attachment 4 – City of Morro Bay April 15, 2016 Letter of Interest