

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

(1) DEPARTMENT Planning and Building	(2) MEETING DATE 3/20/12	(3) CONTACT/PHONE Tony Navarro, Planner III/ (805) 781-5787	
(4) SUBJECT Request to select activities for funding under the 2012 Community Development Block Grant (CDBG), Home Investment Partnership Act (HOME), and the Emergency Solutions Grant (ESG) Programs and adopt the resolution approving the Urban County of San Luis Obispo Program Year 2012 Action Plan of the San Luis Obispo Consolidated Plan.			
(5) RECOMMENDED ACTION Staff recommends that your Board: 1. Select the activities and CDBG, HOME and ESG funding levels as shown in the attached Exhibit "B" or as modified today by your Board, and 2. Adopt the attached resolution approving and authorizing submittal of the Urban County of San Luis Obispo Program Year 2012 Action Plan to the U.S. Department of Housing and Urban Development, copies of which are on file with the County Clerk and instruct the Chairperson to sign.			
(6) FUNDING SOURCE(S) CDBG, HOME and ESG	(7) CURRENT YEAR FINANCIAL IMPACT \$0.00	(8) ANNUAL FINANCIAL IMPACT \$0.00	(9) BUDGETED? No
(10) AGENDA PLACEMENT <input type="checkbox"/> Consent <input type="checkbox"/> Presentation (Time Est. _____) <input checked="" type="checkbox"/> Hearing (Time Est. _60 min____) <input type="checkbox"/> Board Business			
(11) EXECUTED DOCUMENTS <input checked="" type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A		(12) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A	
(13) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(14) W-9 <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	
(15) LOCATION MAP N/A	(16) BUSINESS IMPACT STATEMENT? No	(17) AGENDA ITEM HISTORY <input checked="" type="checkbox"/> N/A Date _____	
(18) ADMINISTRATIVE OFFICE REVIEW  Reviewed by Leslie Brown			
(19) SUPERVISOR DISTRICT(S) All Districts -			

# County of San Luis Obispo



TO: Board of Supervisors

FROM: Planning and Building / Tony Navarro, Planner III

VIA: Chuck Stevenson, Division Manager, Long Range Planning

DATE: 3/20/12

SUBJECT: Request to select activities for funding under the 2012 Community Development Block Grant (CDBG), Home Investment Partnership Act (HOME), and the Emergency Solutions Grant (ESG) Programs and adopt the resolution approving the Urban County of San Luis Obispo Program Year 2012 Action Plan of the San Luis Obispo Consolidated Plan.

## **RECOMMENDATION**

Staff recommends that your Board:

1. Select the activities and CDBG, HOME and ESG funding levels as shown in the attached Exhibit "B" or as modified today by your Board, and
2. Adopt the attached resolution approving and authorizing submittal of the Urban County of San Luis Obispo Program Year 2012 Action Plan to the U.S. Department of Housing and Urban Development, copies of which are on file with the County Clerk and instruct the Chairperson to sign.

## **DISCUSSION**

The Urban County of San Luis Obispo 2010 Consolidated Plan outlines a comprehensive five-year strategy to address San Luis Obispo County's housing and community development needs. The most important function of the Consolidated Plan is to establish how available federal funding resources will be used to meet local needs, particularly the CDBG, HOME, and ESG funds available through the Urban County of San Luis Obispo.

Each year the County prepares an action plan detailing how available CDBG, HOME, and ESG funds will be used in the coming year. This is the third year action plan of the Urban County of San Luis Obispo 2010 Consolidated Plan. The Draft Urban County of San Luis Obispo Program Year 2012 Action Plan is on file with the County Clerk Recorder's Office. To review the list of funding recommendations please see Exhibit "B".

The 2012 Action Plan details allocations, objectives, and activities that the Urban County will undertake during the program year by the Urban County of San Luis Obispo and its five partner cities. The allocations will help accomplish the goals identified in the five-year Consolidated Plan for Program Year 2012 (Fiscal Year 2012-2013) relating to housing, homeless, community development, citizen participation, public services, economic development and public facilities.

This Action Plan also serves as an application to HUD for the following grant entitlements grants:

<u>Program</u>	<u>Allocation</u>
CDBG:	\$1,654,260
HOME:	\$ 823,357
ESG:	\$ 163,420
<b>Total</b>	<b>\$2,641,037</b>

As per the Board approved Citizen Participation Plan, the Department of Planning and Building takes the lead in the preparation of Action Plan process. The process includes: the initial request for proposal, review and consideration of funding applications; promote and staff the public workshops; provide technical assistance to the public, applicants and participating jurisdictions; and prepare staff reports, action plans and other documents necessary for the approval and amendment of an action plan by the Board of Supervisors. Additionally, the County, as the grantee to HUD, prepares all necessary reports for compliance purposes.

The County and five of its cities together qualify as an "urban county" eligible to receive annual formula grant awards from HUD. The current participating cities include Arroyo Grande, Atascadero, Morro Bay, Paso Robles, and San Luis Obispo. The cities of Grover Beach and Pismo Beach chose not to join the Urban County to enable applications for competitive state CDBG and HOME funds.

CDBG Program - Cutbacks and Impacts from the Implementation of New Census Data

In late January 2012, HUD released the 2012 formula grant amounts. The Program Year 2012 CDBG allocation is \$1,654,260, or \$232,869 less than Program year 2011 (12.5% cutback). Prior to the release of the allocation amounts, the participating jurisdictions of the Urban County utilized their share of the 2011 grant fund allocation as a planning estimate to base the draft funding recommendations in-lieu of an allocation amount. For purposes of the funding recommendation process, some cities elected to reduce their 2011 allocation figures in anticipation to federal cutbacks to the CDBG program.

After the release of the draft funding recommendations, HUD also informed the County that for the 2012 Program Year the federal law implementing the CDBG program calls for using "the most recent data compiled by the United States Bureau of the Census for allocating the CDBG funds." The Census Bureau has transitioned to an annual survey known as the American Community Survey (ACS) which HUD now uses to determine the "share" of CDBG funds for jurisdictions nationwide. The formula used by HUD for urban county funds has three variables as provided through the ACS: population, people in poverty, and overcrowded units. These variables are each divided by a total to determine each grantee's share of that characteristic. The Urban County uses this same formula to divide each participating jurisdictions "share" of annual CDBG funds.

The combined implementation of the ACS data and the 12.5% reduction to the CDBG program countywide resulted in varied decreases for the jurisdiction at the local level. The main reason for this is because the ACS data reports a significant drop in the number of poverty persons in the participating jurisdictions, except for in the City of San Luis Obispo and the county, and an increase in overcrowded housing units in the county. The result is a decrease in the CDBG share for each participating city, while the County's share increased from the amounts previously. Please see Table 1 below for a comparison of CDBG shares.

**Table 1: 2012 CDBG Allocations and Comparative Difference with Prior Year Allocations**

<b>JURISDICTION</b>	<b>2011 FORMULA ALLOCATION</b>	<b>2012 FORMULA ALLOCATION</b>	<b>DIFFERENCE</b>
Arroyo Grande	\$95,346	\$63,605	(\$31,741 or 33%)
Atascadero	\$168,570	\$133,774	(\$34,796 or 21%)
Morro Bay	N/A	\$57,533	N/A
Paso Robles	\$250,245	\$167,773	(\$82,472 or 33%)
San Luis Obispo	\$568,370	\$506,588	(\$61,782 or 11%)
Unincorporated County	\$693,619	\$724,985	\$31,366
<b>TOTAL</b>	<b>\$1,776,150*</b>	<b>\$1,654,260</b>	

\*2011 Formula Allocation total does not include the City of Grover Beach's share of 2011 CDBG funds in the amount of \$110,979. The City of Grover Beach opted not to participate in the Urban County for the next three program years and this is the City of Morro Bay's first year as a participating jurisdiction of the Urban County.

All of the cities except the City of San Luis Obispo reflected the impacts from the ACS data and budget cuts in their respective staff reports for city council consideration and approval. In the following weeks, the City of San Luis Obispo will take action that corresponds with its share of the 2012 CDBG allocation that may require Board approval to amend the 2012 Action Plan. Until then, the 2012 Action Plan will reflect the funding approvals as made by the San Luis Obispo City Council on February 21, 2012.

The CDBG program is designed to provide local governments with funds to address a variety of community development needs. Local discretion may be used to determine specific activities to be funded, provided they: 1) benefit low and moderate income persons, 2) aid in the prevention of slums or blight, or 3) meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community and other financial resources are not available to meet such needs. Overall CDBG program benefit to low and moderate-income persons must be at least 70 percent, and overall CDBG program benefit should not exclude low and moderate-income persons. "Low and moderate income persons" is defined by CDBG regulations (24 CFR 570.3) as those with incomes less than the Section 8 lower income limits, generally corresponding to 80 percent of county median income, which is adjusted by family size. "Low income" is defined as persons with income below 50 percent of county median income.

In order to avoid confusion in the remainder of this report, the term "low and moderate income" refers to households earning less than 80 percent of median, where "low-income" refers to those earning less than 50 percent of median. Some federal and state programs use different terms when referring to certain income groups. For example, households earning less than 80 percent of area median income are defined as "low and moderate income" under federal CDBG and Consolidated Plan regulations, whereas California law generally defines "low and moderate income" as households earning less than 120 percent of median income.

#### The Home Investment Partnership Act (HOME) Program

HOME provides formula grants that communities use often in partnership with local nonprofit groups to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low-income people. The incomes of households receiving HUD assistance must not exceed 80 percent of the area median. HOME income limits are published each year by HUD.

Participating jurisdictions may choose among a broad range of eligible activities, using HOME funds to provide home purchase or rehabilitation financing assistance to eligible homeowners and new homebuyers; build or rehabilitate housing for rent or ownership. Funds may use to provide tenant-based rental assistance contracts of up to 2 years if such activity is consistent with the Consolidated Plan and justified under local market conditions.

The fiscal year 2012 Community Planning and Development Formula Program Allocations for the HOME program is \$823,357. Of this allocation, ten percent is proposed to be used for administrative purposes.

#### The Emergency Solutions Grant (ESG) Program

The funding allocation for the ESG program for the 2012 program year is \$163,420. In prior years the annual ESG allocation of approximately \$91,000 funds were awarded to eligible emergency shelters for the operation of those shelters to provide homeless services. The increase in ESG funds is the result of the federal government's priority to end homelessness and the approval of the Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act of 2009. The additional funds, commonly known as the "second" allocation, increased the Urban County's ESG funds from approximately \$91,000 to \$163,420.

The "second" allocation of funds specifically target rapid rehousing, homelessness prevention activities, the Homeless Management Information System (HMIS), and administrative funds.

The release of the new ESG interim regulations in December 2011 and the recent guidance from HUD in January 2012 for the additional funds, require the County to develop program priorities, standards and goals for the award and expenditure of second allocation of ESG funds. The County is currently working with homeless service and housing providers to establish the criteria required by the ESG program and guidance from HUD.

HUD acknowledged that the late release of the interim regulations and guidance did not allow staff sufficient time to develop the necessary ESG programs concurrent with the annual development and approval of its action plan. Thus HUD encouraged local jurisdictions to take the necessary steps for the substantial amendments to the Action Plan in order to comply with the new program regulations but did not allow for an extension to the May 15 submittal deadline of the Action Plan.

The award of the “second” allocation of ESG funds, along with the development of key program requirements will be presented to the Board of Supervisors on May 8, 2012 as part of the substantial amendment to the 2012 Action Plan and submittal to HUD no later than the May 15, 2012 deadline.

**Emergency Solutions Grant Program - \$163,420**

Maxine Lewis Memorial Shelter for the Homeless	\$33,446
Prado Homeless Day Center for the Homeless	\$19,685
Women’s Shelter Program of San Luis Obispo County	\$6,709
North County Women’s Shelter and Resource Center	\$13,237
El Camino Homeless Organization	\$14,022
Agency Administration	\$2,292
SLO County Administration	\$2,292
Rapid Rehousing, Homeless Prevention, HMIS and administration	\$71,737*
<b>Total</b>	<b>\$163,420</b>

\* The allocation of \$71,737 will remain unallocated until May 8, 2012 when the County develops a draft recommendation for these funds.

**Public Participation**

The County Planning and Building Department acted as the lead agency in preparing this Action Plan. The County conducted the workshops as prescribed in the Board approved Citizen Participation Plan. The cities collaborated with the County throughout the process of conducting citizen participation activities and preparing the Action Plan.

The Urban County conducted four advertised public workshops and one public hearing to solicit public input about housing and community development needs before issuing a countywide request for proposals and preparing draft funding recommendations. These meetings satisfied the federal requirement for at least one public hearing before the draft consolidated plan is prepared. A public hearing was conducted by the County Board of Supervisors on December 6, 2011. The workshops were held in handicapped-accessible locations in Arroyo Grande, Atascadero, Morro Bay, and San Luis Obispo.

Consolidated planning regulations emphasize not only the need to consider public input from public meetings such as those described above, but also input on housing and community development needs obtained through consultations with a wide variety of agencies with knowledge about low income client populations and how to best meet those needs. Accordingly, County staff consulted with numerous agencies and organizations during meetings of the Homeless Services Oversight Council (HSOC), including its subcommittees, and individually with the Housing Authority of the City of Paso Robles; the Housing Trust Fund, Community Action Partnership of San Luis Obispo County (CAPSLO); Peoples’ Self-Help Housing Corporation (PSHHC); County General Services; County Public Works, the Mission Community Services Corporation, and other groups.

### Public Comments

Public comments received during the "needs" workshops and generally throughout the 2012 Program Year process, primarily focused on the need to provide services and housing for the recently homeless population. The comments primarily came from the County's homeless service providers like CAPSLO, the El Camino Housing Organization, Transitional Food & Shelter, and others, but also from housing providers like the Paso Robles Housing Authority and PSHHC. With the current market downturn, housing foreclosures and increasing unemployment figures, the demand for homeless services has increased. Demand for services from other organizations such as the Atascadero Loaves & Fishes and others have noted an increase in the number of persons who seek assistance.

Other comments related to the economic downturn focused on the need to assist local businesses to survive the economic downturn. Mission Community Services Corporation stressed the importance to provide technical assistance to prospective new business owners and existing microenterprises to develop new business plans and technical assistance to help businesses survive, expand if possible, and create new jobs.

### Request for Proposals

In August 2011, the County issued a countywide request for proposals and comments (RFP) to encourage any interested parties to submit their comments and proposals for funding through the CDBG, HOME, and ESG programs. The County and the cities use the comments to consider achievable programs and projects for the County of San Luis Obispo Program Year 2012 Action Plan. The due date for proposals was October 24, 2010. The RFP included evaluation criteria used by the cities and the County, as follows:

1. Consistency with federal regulations and laws
2. Community support (for example, approval of project by a city council)
3. Seriousness of community development need proposed to be addressed by project
4. Degree to which project benefits low and moderate income and low income families or persons
5. Feasibility of the project to be completed as budgeted and by December 21, 2013
6. Cost effectiveness of funds requested and leveraging of other funds
7. Organization's experience or knowledge regarding federal requirements

The following additional criteria were specified for use only to evaluate proposals for funding under the "Special Urban Projects Fund" allocation, pursuant to the cooperative agreements between the County and each of the participating cities:

8. Degree to which the proposal would benefit more than a single jurisdiction (i.e., more than one city, a city and portions of the unincorporated County)
9. Need by the project for more funding than is available through the other allocations to be feasible
10. The project provides direct benefit to most needy groups such as (but not necessarily limited to) low income and/or handicapped persons, and at-risk youth (gang prevention).

The Planning and Building Department prepared and published funding recommendations based on an evaluation of how the proposals met the criteria specified in the RFP instructions. These funding recommendations were published and distributed to each of the participating cities and some 300 interested persons. The Urban County conducted three more public workshops to solicit public comments and answer questions about the draft plan.

The purpose of today's scheduled hearing for your Board is to consider public input and city recommendations received to-date, to approve funding for specific activities from the CDBG, HOME, and ESG funds. The County has authority to approve the overall Urban County of San Luis Obispo Program Year 2012 Action Plan and authorize its transmittal to HUD before the May 15, 2012, deadline. All public comments received through today's hearing will be summarized in an attachment to the plan.

### Program Year 2012 Action Plan provisions

Brief discussions of each CDBG, HOME, and ESG proposal requesting funds from the County are included in Exhibit "A", 2012 Draft Funding Recommendation Evaluation, on file with the County Clerk Recorder's Office, with comments focusing on the most significant reasons why each proposal resulted in a recommendation to be funded or not to be funded. The Draft Urban County of San Luis Obispo Program Year 2012 Action Plan also identifies the draft funding recommendations and is on file with the County Clerk Recorder's Office.

Staff's review of project readiness is the key to meet the timely expenditure of CDBG funds as required by the federal regulations. Five years ago, April 2007, the Urban County did not meet the timely requirement and thus was required to complete a workout plan with the cities that contributed to the Urban County not meeting the requirement. The County regularly reports to HUD on the Urban County's progress to comply with the timely expenditure of CDBG funds. The Urban County recently met the timely expenditure requirement for the 2012 year. The 2012 CDBG funding recommendation is a reflection of the need to fund those projects that can expend the funds within 18 months of the beginning of the grant funding program year.

### **Approval of Overall Urban County of San Luis Obispo Program Year 2012 Action Plan**

Typically staff presents the Action Plan for Board approval and submittal to HUD immediately thereafter to meet the May 15 submittal deadline. This year is different in that two factors play a role in the preparation of the Action Plan and its submittal to HUD prior to the May 15 deadline. The factors are as follow:

#### California Tax Credit Allocation Committee (TCAC) application deadline – March 22, 2012

The March 22 TCAC application deadline is the primary reason for the early presentation of the Action Plan to the Board. The current draft funding recommendations include two favorably recommended HOME projects that will apply and compete for state TCAC funds. The South Street Apartments in the City of San Luis Obispo and the Oak Park Affordable Housing Apartments in the City of Paso Robles will submit applications for TCAC funds. If HOME funds are approved to the above-mentioned affordable housing projects, the additional funds from the Urban County will increase the applicant's competitiveness that could bring additional dollars to the local economy.

#### Substantial Amendment to the 2012 Action Plan Due to Interim ESG Regulations

The second reason for the delayed submittal of the Action Plan is that HUD recently released interim regulations and guidance to local jurisdictions to comply with the ESG program requirements as previously mentioned.

The interim regulations require the successful development of the program as identified in the applicable regulations, approved by the Board and submittal to HUD by no later than May 15. Failure to comply with the submittal deadline will mean the loss of the "second" allocation for both the 2011 and 2012 Program Years, a total of \$123,309. Planning and Building will present the substantial amendment to the 2012 Action Plan to the Board at its May 8, 2012 hearing.

The ESG funds noted in the attached Exhibit B and in Part F of the Draft 2012 Action Plan (page, 48), is for the award of the "first" allocation of ESG funds for the operation of eligible emergency shelters throughout the county.

Once your Board has decided which projects will receive CDBG, HOME, and designated ESG funds over which the County has authority, as shown in the attached Exhibit "A", plus the substantial amendment to the 2012 Action Plan on May 8, the overall County of San Luis Obispo Program Year 2012 Action Plan can be submitted to HUD before the May 15, 2012 deadline. The adoption of the attached resolution will provide documentation to HUD as to the approval of these funds. Attached is a listing of all activities in Exhibit "B".

### **OTHER AGENCY INVOLVEMENT/IMPACT**

County staff consulted with the participating cities and with a variety of public and nonprofit agencies to identify needs, priorities, strategies and potential projects. This includes working with County staff from the HSOC, General Services Agency and Public Works. Staff also provided technical advice to the cities to facilitate their decision on the grant application process. Staff also obtained guidance from HUD regarding eligibility of certain proposed activities and from County Counsel.

## **FINANCIAL CONSIDERATIONS**

The CDBG, HOME and ESG programs provide funding to cover most local costs incurred by staff in administering the programs. These three HUD grants will provide a total of approximately \$207,000 for administrative purposes, but the associated cost is about \$342,000. This represents an impact to the General Fund of approximately \$135,000 not covered by the grants. In order to comply with the increased HUD administration requirements and thus continue to receive the grant funds, this General Fund support is necessary.

## **RESULTS**

The result of this hearing is to secure, and allocated federal grant funds to directly benefit County residents.

## **ATTACHMENTS**

1. Exhibit A - 2012 Draft Funding Recommendation Evaluations – Community Development Block Grant (CDBG), Home Investment Partnership (HOME), and Emergency Solutions Grant (ESG) Programs
2. Exhibit B - Draft Program Year 2012 Draft Funding Recommendations
3. Exhibit C - Summary of Comments
4. Exhibit D - Draft 2012 Action Plan (Clerk's File cover page)
5. Exhibit E – Resolution for adoption