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DATE: April 7, 2009
TO: Mayor and City Council
FROM: Redevelopment Director
SUBJECT: Funding Recommendations Pertaining to the City of Hayward's
FY 2010 Community Development Block Grant (CDBG) Allocation and
American Recovery and Reinvestment Act of 2009 "CDBG-R" Allocation

RECOMMENDATION

That Council reads and comments on this report.

SUMMARY

During FY 2010, the Neighborhood Services Division will administer three sources of federal funds, all originating from the Housing and Urban Development (HUD) Department.

1. The City will receive its regular "Entitlement" Grant through the Community Development Block Grant (CDBG) Program. These funds will be available upon HUD's approval of the City's FY 2010 Action Plan.
2. The American Recovery and Reinvestment Act (ARRA) of 2009 authorized additional one-time "CDBG-R" funds for the City to be used to support projects that a) could be implemented immediately and/or b) would quickly create jobs. These funds will be available upon HUD's approval of a Significant Amendment (application) to the City's FY 2009 Action Plan.
3. The ARRA of 2009 also authorized an allocation of Homeless Prevention Funds. These funds will be available upon HUD's approval of a second Significant Amendment (application) to the City's FY 2009 Action Plan.

Total funding available from the first two sources (above) to support eligible projects is anticipated to be \$1,686,935, and CAC and staff Funding Recommendations for these sources are included with this report as Attachment A. A chart that briefly summarizes each application is included as Attachment C. Specific Funding Recommendations for the Homeless Prevention Funds (#3 above) will be presented in a separate report to Council.

BACKGROUND

Open Funding Process With Opportunities for Public Participation

The City's FY 02010 CDBG Funding Process was conducted in a manner that was generally consistent with prior years' funding cycles. On December 18, 2008 the City conducted its CDBG Funding Forum and released its application for funding.

At the Funding Forum, applicants received an orientation to CDBG funding. This orientation included an explanation of the purpose and limitations of the CDBG program, and advisories that up to 15% of CDBG funds may be used for Public Services, and that it is Council's policy to utilize Public Services funding to support exclusively housing-related social services for low-income Hayward residents. Applicants were informed about the City's Social Services Program, which is funded by the City's General Fund, and provides grants to support other types of community services that are outside the parameters of the CDBG program.

Thirty-three CDBG applications were submitted by the January 9, 2009 deadline, totaling \$2,938,238 in funds requested. There were no late applications submitted. Copies of the applications were distributed to members of the CAC. The CAC analyzed all the applications received and appointed an Application Review Committee to interview representatives from the applicant agencies.

On Saturday, February 7, 2009, members of the Application Review Committee interviewed each of the applicants. The interviews provided an opportunity for Commissioners to review each of the proposed projects and to gain insight into each applicant's capacity for carrying out the proposed activities.

At its Regular Meeting on Wednesday, February 18, 2009, the CAC established "draft" FY 2010 CDBG Funding Recommendations. One month later, on Wednesday, March 18, 2009, at the completion of a 30-day Public Comment period, the CAC convened to finalize its Funding Recommendations and forward them to City Council for consideration.

At that meeting, Commissioners were informed of and discussed the availability of one-time "CDBG-R" funds. After discussion, the CAC made revisions to its CDBG Funding Recommendations to include utilization of the additional "CDBG-R" funds. Also at that meeting, the CAC approved motions to recommend the following to City Council:

1. That Council authorize the submission (to HUD) of a Substantial Amendment to the City's FY 2009 HUD-approved Action Plan so that the City may receive CDBG-R funds authorized by the ARRA of 2009.
2. That Council authorize the submission (to HUD) of a Substantial Amendment to the City's FY 2009 Hud-approved Action Plan so that the City may receive Homeless Prevention Funds authorized by the ARRA of 2009.

On Saturday, March 21, 2009 a notice was published in the Daily Review newspaper, to announce that City Council will conduct a Public Hearing on Tuesday, April 21, 2009, during which Council will make its FY 2010 CDBG and ARRA of 2009 "CDBG-R" allocations.

On Wednesday, April 1, 2009, a Special Meeting of the CAC was convened so that the CAC could reconsider its Funding Recommendations in light of new HUD guidance on the utilization of Homeless Prevention Funds. The CAC made final revisions to its Funding Recommendations, which are included in this report as Attachment A.

Simplified and Focused Application

This year, to facilitate a more strategic and user-friendly application process, the CDBG Application Packet was redesigned and simplified from 97 pages to 22 pages (including instructions and attachments). The Application posed 21 questions, of which 18 requested one-word or yes/no responses. When completed, each application fit on two double-sided sheets of paper. Also for the first time, the CDBG Application Package was available to the community electronically on the City's website.

Application Packages included the *City Council Priorities*, the *Neighborhood Services Initiative*, and a brief orientation to *Crime Prevention Through Environmental Design* (CPTED) principles. Applicants were asked to articulate how the services proposed would support one or more of these goals, and a separate question asked applicants to articulate how the services proposed would benefit the broader Hayward community. Applicants proposing services in the Economic Development category were asked to specify how many jobs would be created, and each applicant was requested to articulate how the effectiveness of the proposed project would be measured.

DISCUSSION

All of the applications submitted proposed to support at least one City Council Priority, and all proposed to serve low-income Hayward residents. Attachment B provides a representation of the Citizens Advisory Commissions' CDBG Funding Recommendations, sorted according to City Council Priority.

This year, the Hayward community faces an unusually difficult economic forecast that includes rising costs of food and utilities, and historically high rates of under- and unemployment. Therefore, priority was given to projects that seemed fully developed and ready to start, likely to quickly create jobs, and provide or facilitate housing or the maintenance of housing (e.g., shelter services and housing rehabilitation). Federal regulations allow up to 15% of available funds to be allocated in the Public Services category, and thus projects in that category totaling approximately \$276,000 are recommended to receive funding.

FY 2010 CDBG Recommendations

On Attachment A, the CAC and staff's FY 2010 regular CDBG Funding Recommendations are under the light blue heading. Funding Recommendations for the ARRA of 2009-authorized "CDBG-R" funds are under the green heading.

Differences between the CAC and staff Funding Recommendations are highlighted in yellow. Rationales for the differences in Funding Recommendations are as follows:

Application #1 - Housing Rehabilitation Loan Program: In previous years, allocations to this program were used to make loans to income-eligible homeowners to make health/safety and accessibility modifications to

their homes, and to pay for the costs of administering the program (e.g., environmental review, lead paint testing, contractor procurement, processing progress payment, site inspections, etc.). In FY 08-09, the loan fund was turned into a revolving fund, and so repayments to the program replenish the loan fund to a modest degree. In FY 2010, it is proposed by staff to use low-mod funds (administered by the Redevelopment Agency and already budgeted for this purpose) to fund loans for eligible applicants. The staff's Funding Recommendation is therefore reduced to \$250,000. The CAC supports the use of low-mod funds to augment CDBG funds, and recommends providing funding to this program in a slightly higher amount, \$272,605.

Application #2 – Minor Home Repair Program: By coordinating closely with Community Preservation Inspectors, the Minor Home Repair staff has been able to expand on the health/safety and accessibility grants traditionally available through this program, to include the correction of residential code violations that affect the safety and appearance of neighborhoods, and to prevent incipient problems from developing into code enforcement cases. In addition to making necessary repairs for eligible homeowners, the funding provides local contractors with dozens of job opportunities. Staff proposed to reduce its FY 09-10 CDBG Funding Recommendation to \$150,000, and to make a Funding Recommendation to provide \$170,000 from "CDBG-R" funds, to bring the total funding for this program to \$320,000. The CAC recommended providing funding to this program utilizing FY 09-10 CDBG funds in a slightly higher amount, \$163,000, in addition to a "CDBG-R" Funding Recommendation in the amount of \$170,000.

Application # 5 – HARD/Weekes Park: This project would upgrade the public restrooms at Weekes Park to meet ADA standards, as well as improve lighting and pathways in the park. The CAC recommended funding at the requested amount, \$120,000, using \$20,000 in FY 09-10 CDBG funds, and \$100,000 in "CDBG-R" funds. Staff's recommendation is that the project should receive an allocation in the amount of \$100,000 in "CDBG-R" funds, which HARD has indicated it will match, for a total project budget of \$200,000. It has been confirmed with HARD that this project, if funded using "CDBG-R" funds, could proceed immediately.

Application #13 – Spectrum Community Services (Centralized Kitchen Project): There was general concern that the applicant's current year grant of \$100,000 has not yet been spent, due to delays in securing site control and acquiring the land. However, the CAC and staff made Funding Recommendations of \$35,000 and \$50,000, respectively, in support of the project.

Application #20 – ECHO's Landlord-Tenant Counseling Program: Staff recommended FY 09-10 funding at the same level as the current year, \$19,644. The CAC recommended a slight increase, to \$20,000.

Application #21 – ECHO's Rental Assistance Program: Staff recommended FY 09-10 funding at the same level as the current year, \$1,161. The CAC supported a slight increase in funding to the program, given the local rate of mortgage foreclosures and high rate of local unemployment, and recommended funding in the amount of 1,200.

Application #26 – Magnolia House: This application requests funding to help this 6-bed shelter make its utility payments. The CAC recommended \$3,670 and commented that last year when the City helped the agency acquire its facility, the applicant said ongoing support would not be necessary. Staff rationale for recommending \$9,000 was that helping to pay for the utilities would be an effective, easily measured way to support the program.

Application #27 – Seventh Step Foundation: This application requests funding to purchase food for the adult male parolees who stay at the shelter. The CAC's perspective was that shelters should be able to cover basic expenses such as food without government support, and recommended the application should not receive funding. Staff's perspective was that providing funding for the purchase of food was an effective, easily measured way to support the program, and recommended funding in the amount of \$10,000.

Application #28 – Seventh Step Foundation: This application requests funding to support adding a job developer to the agency's staff. The CAC agreed that placing clients into respectable, legitimate jobs is a key strategy in preventing clients' relapse into criminal activities and drug/alcohol abuse, and recommended funding in the amount of \$10,000. Staff considers the current fiscal climate to be incompatible with hiring new staff, and unsustainable without ongoing support from the City. Staff recommended funding in the amount of \$0.00.

Application #30 – 4-C's of Alameda County: The CAC recommended funding for this project in the amount of \$25,000, which would represent a reduction in funding of \$25,000. The CAC commented that in previous years the project was successfully implemented with funding of \$25,000. Staff recommended funding in the amount of \$50,000, as the project creates jobs for low-income workers and provides an affordable childcare option for working families.

Application #31 - Small Business Revolving Loan Program: The staff recommended funding this program using \$125,000 of FY 09-10 CDBG funds and \$100,000 of "CDBG-R" funds, for a total budget of \$225,000. The CAC recommended funding this project using \$150,000 in FY 2010 CDBG funds and \$100,000 of "CDBG-R" funds, for a total budget of \$250,000.

Application #32 – Hayward Day Laborer Center: The CAC recommended \$100,000 for the program, so that it could continue to rent its space at the Eden Youth and Family Center, and maintain its staffing to monitor the area, provide options and assistance to employers (screening, insurance, etc.), and create permanent jobs for low-income day workers. Staff recommended \$80,000, and encouraged the Day Laborer Center to seeking leveraging opportunities to gradually reduce its dependency on the City's financial support.

Application #33 – Mural Program: The City's Mural Program targets the downtown and Redevelopment Area, installing murals on buildings and structures that are frequently defaced by graffiti vandalism. The CAC commented that although it is supportive of the program, in consideration of the limited resources available, its Funding Recommendation is limited to \$65,000. Staff's recommendation considered that paint brush murals are rarely defaced by vandals, which decreases crime without a commensurate increase in law enforcement activities, and creates interest and enthusiasm in and about the Redevelopment Area. Artists, volunteers, and owners of vandalized buildings have expressed an eagerness to participate. Therefore, staff recommended funding for this project in the amount of \$125,000.

Application #13 – Bay Area Youth Centers: It should be noted that this application was not recommended for funding because it was the CAC's intent that this applicant receive technical assistance from staff to qualify for an allocation of Homeless Prevention Funding, when it becomes available. It was noted by the CAC that other applicants, for example, Eden I&R and ECHO Housing's Rental Assistance Program, provide services that could be eligible using the Homelessness Prevention Funding.

FISCAL IMPACT

The FY 2010 federal budget has yet to be finalized, and it will be several weeks before the exact amount of the City's FY 2010 CDBG grant may be confirmed. Guidance received from the Housing and Urban Development Department suggested that for planning purposes, jurisdictions should plan to receive the same amount as was received for the current year.

The CDBG Program does not have a negative impact on the City's General Fund, as a portion of CDBG funds (up to 20%) may be used to pay for administration of the grants by City staff, including federal environmental review, contracting, Labor Standards monitoring, procurement of contractors, site inspections, financial management, and federal reporting.

PUBLIC CONTACT

A Public Notice was published on November 19, 2008, announcing the availability of funds for CDBG projects. During that week, paper copies of the Public Notice were mailed to currently funded agencies, previously funded agencies, applicants from previous years, and everyone on the CDBG and Social Services mailing list (several hundred individuals and local agencies).

All funding deliberations took place at properly noticed Citizens Advisory Commission meetings that were open to the public. These meetings took place on February 18, 2009 and March 18, 2009. The weeks in between these meetings constituted a 30-day Public Comment period, during which members of the public, including applicants, could submit their comments regarding the funding process or the Funding Recommendations. At the March 18, 2009 Citizens Advisory Commission meeting, there were eleven people who signed the Visitors' Sign-In Sheet, and four comments presented:

1. Cate Steane, executive director at the Family Emergency Shelter Coalition, clarified that current-year funding from the City in the amount of \$25,000 is well-leveraged by support from other sources.
2. Mary McCrae, representing the Seventh Step agency, urged the CAC to allocate funding to support the agency's proposal to hire a job developer.
3. There were four letters urging support for the Family Emergency Shelter Coalition, which the CAC had recommended should receive an allocation of \$25,000. The letters were from Sherry Thomas, Diana Dickerson, Nancy Harrison, and Georgia Gruver.
4. There was a letter urging support for the Centro Legal de la Raza. The letter was from Lucina Toscano.

A Public Notice of the City Council's April 21, 2009 Public Hearing, was published Saturday, March 21, 2009.

NEXT STEPS

City Council will conduct a Public Hearing on Tuesday, April 21, 2009, in order to:

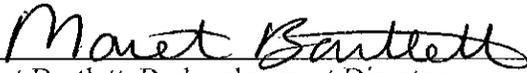
1. Approve FY 2010 CDBG and ARRA of 2009 "CDBG-R" Allocations.
2. Authorize the submission of a substantial Amendment to the City's HUD-approved FY 2009 Action Plan, so that the City will be able to receive ARRA of 2009 "CDBG-R" funds.

Prepared by:



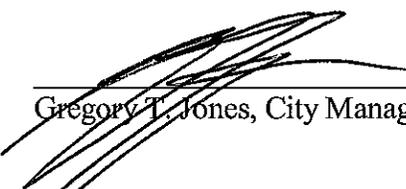
Anne Culver, Social Services Planning Manager

Recommended by:



Maret Bartlett, Redevelopment Director

Approved by:


Gregory T. Jones, City Manager

Attachments:

- Attachment A: CAC's and Staff's FY 2010 CDBG and "CDBG-R" Funding Recommendations
- Attachment B: CAC's and Staff's CDBG/CDBG-R Funding Recommendations Sorted by City Council Priority
- Attachment C: Brief Summary of Each CDBG Application

Due to the size and color of Attachments A, B, and C,
they have been attached as separate links