



MEMORANDUM

TO: CITY COUNCIL

FROM: TERESA MCCLISH, COMMUNITY DEVELOPMENT DIRECTOR

BY: KELLY HEFFERNON, ASSOCIATE PLANNER

SUBJECT: CONSIDERATION OF PRELIMINARY APPROVAL OF COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROJECTS FOR YEAR 2017

DATE: NOVEMBER 22, 2016

RECOMMENDATION:

It is recommended the City Council provide preliminary approval of proposed projects to be funded with the City's allocation of Community Development Block Grant (CDBG) funds for the Year 2017 as shown in the table below. Final City approval of the CDBG allocation will likely occur in March 2017.

Recommended 2017 CDBG Allocation

| Project and Category | 2016 Allocation | 2017 Requested | Proposed 2017 Allocation |
|---|------------------------|-----------------------|---------------------------------|
| Public Services 15% Cap - \$11,017 | | | |
| Subtotal | \$0 | \$0 | \$0 |
| Public Facilities | | | |
| City of Arroyo Grande - Removal of Architectural Barriers | \$60,410 | \$58,757 | \$58,757 |
| Subtotal | \$60,410 | \$58,757 | \$58,757 |
| Economic Development | | | |
| Subtotal | | \$0 | \$0 |
| Area Benefit 30% Cap - \$22,034 | | | |
| Subtotal | \$0 | \$0 | \$0 |
| Administration and Planning 20% Cap - \$14,689 | | | |
| City Administration | \$5,286 | \$5,141 | \$5,141 |
| County Administration | \$9,816 | \$9,548 | \$9,548 |
| Subtotal | \$15,102 | \$14,689 | \$14,689 |
| Total | | | \$73,446 |

**CITY COUNCIL
CONSIDERATION OF PRELIMINARY APPROVAL OF COMMUNITY DEVELOPMENT
BLOCK GRANT (CDBG) PROJECTS FOR YEAR 2017
NOVEMBER 22, 2016
PAGE 2**

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

The County has estimated that \$73,446 in CDBG funds will be available to the City in the fall of 2017. This estimate is equal to the final adjusted figure for the 2016 fiscal year minus a 2.8% decrease. Overall, the amount the City has received over the last fifteen (15) years has consistently decreased due to Federal budget cutbacks to the CDBG program. Similar to last year, the County will help administer the CDBG program for the City which will reduce City staff time involved. County staff will be paid through the CDBG program funds allocated to the City. Per the Cooperation Agreement between the County and the City entered into on July 15, 2014, 65% of the total administration funds, or \$9,548 of the City's allocation for CDBG funds will be deducted by the County to meet its obligations under the terms of the agreement for administrative costs. The City will receive \$5,141 for its administrative costs.

BACKGROUND:

As mentioned above, the City Council approved a Cooperation Agreement with the County in July 2014 for the joint participation in the CDBG Program for fiscal years 2015 through 2017. The City, as a participant in the Housing and Urban Development (HUD) designated Urban County program, receives an annual formula-based allocation of CDBG funds. These funds are available for a variety of Community Development activities as long as the activities meet at least one of three national objectives. The objectives are:

1. Benefit low- and moderate-income persons;
2. Aid in the prevention or elimination of slums or blight; or
3. Address urgent community development needs that pose a serious or immediate threat to public health or welfare.

The County distributed a Request for Proposals (RFP) and notified the public that the County and participating cities would accept applications for funding until October 21, 2016. In addition, County staff held a "Needs Assessment Workshop" on September 7, 2016 to gather input from the public regarding the allocation of CDBG funds. The second CDBG public workshop will be scheduled sometime within the next two months in South County.

ANALYSIS OF ISSUES:

The following criteria set forth by the County in the RFP is used to make funding recommendations:

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;

CITY COUNCIL

CONSIDERATION OF PRELIMINARY APPROVAL OF COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROJECTS FOR YEAR 2017

NOVEMBER 22, 2016

PAGE 3

4. Degree to which project benefits low-income and very low-income families or persons;
5. Feasibility of the project to be completed as budgeted and by December 31, 2017;
6. Cost effectiveness of funds requested and leveraging of other funds; and
7. Organization's experience or knowledge regarding CDBG or HOME requirements.

The Cooperation Agreement between the County and the City gives discretion regarding allocation of funds. Unless the City's recommendation to the County for funding is clearly in conflict with CDBG regulations, the County will approve the recommendation. The County Board of Supervisors will make its final decision for funding priority in the spring of 2017.

Public Services

The competitiveness for public service funds, which is capped at 15 percent, has historically been strong with requests far exceeding available funds. As discussed in recent years regarding CDBG allocations, HUD has significantly increased its monitoring efforts of jurisdictions participating in the CDBG program, which means that local jurisdictions must increase their monitoring efforts of recipients as well. According to County staff, the cost to properly monitor a given CDBG activity is approximately \$8,000. Therefore, only activities that can either individually or cumulatively receive more than \$10,000 in CDBG funding will be considered. Because public service organizations are more aware of the stricter CDBG regulations, as well as funding opportunities through a separate City program (the City's Community Service Grant Program), the City did not receive any CDBG applications for public services.

Public Facilities

Staff recommends allocating \$58,757 to assist with Americans with Disabilities Act (ADA) improvements by removing architectural barriers at the Soto Sports Complex. The "Soto Sports Complex Barrier Removal Project – Phase III" will improve accessibility at Santos Field, which currently does not comply with ADA standards. The project will include, at a minimum, a ramp from the Soto Sports Complex parking lot to the Santos Field bleachers and dugout. This project was identified as a priority given the large number of people that use the Sports Complex each year.

Note that there are also hundreds of locations throughout the City in need of ADA compliant curb ramps. Given the City's annual allocation of CDBG funds and local sales tax funds appropriated to ADA improvements, and not adjusting for inflation, it will take several decades for the City to complete all of these improvements. There are also other ADA improvements needed at various City-owned facilities and parks. Hence, allocating available CDBG funds to the removal of architectural barriers, especially

**CITY COUNCIL
CONSIDERATION OF PRELIMINARY APPROVAL OF COMMUNITY DEVELOPMENT
BLOCK GRANT (CDBG) PROJECTS FOR YEAR 2017
NOVEMBER 22, 2016
PAGE 4**

given the City's new Community Service Grant Program to help meet public service funding needs, is appropriate.

Economic Development

The City did not receive any requests for economic development projects.

Area Benefit

Projects qualifying as meeting the Area Benefit national objective are limited to a 30 percent cap (\$22,034). Area Benefit refers to activities that are available to benefit all residents of an area that is primarily residential where at least 51 percent of the residents are low or moderate income persons. In the past, the City considered efforts to eliminate slums and blight, such as code enforcement activities to remove illegal signs and providing funds for façade improvements, as valid activities. HUD determined in 2013 that the City's code enforcement and Façade Improvement programs are invalid based on the lack of blight, and therefore these programs have been discontinued. The City did not receive any funding requests for this category.

Administration and Planning

Funds requested for the administration of the CDBG program have decreased over the last several years in direct proportion to the overall decrease in the City's CDBG funding, even though HUD administrative requirements are increasing. Staff recommends allocating \$14,689 for program administration, which is 20% of total funds. As stated above, \$9,548 of the City's allocation for CDBG funds will be deducted by the County for its administrative costs as per the Cooperation Agreement, and the City will receive \$5,141 for administration.

Arroyo Grande Community Service Grant Program

In response to CDBG funding limitations and restrictions, the City established the Arroyo Grande Community Service Grant Program in 2014 separate and apart from the CDBG program. This program provides \$20,000 to eligible non-profit organizations that provide specialized social service, educational, cultural, beautification and recreational programs and projects benefitting Arroyo Grande citizens. This is not a CDBG program; however, the rating system is similar to that established for reviewing CDBG applications in prior years. Last year, the City received a total of eleven (11) applications totaling \$53,000. The deadline this year to submit a completed application is Friday, December 9, 2016.

A Community Service Grant Review Panel has been established consisting of one member from each of the City's boards, commissions and committees. This panel will convene early next year to review the applications, and it is expected that a recommendation for funding will be brought to Council at the same time as the final CDBG allocation is considered, which will likely be in March 2017.

**CITY COUNCIL
CONSIDERATION OF PRELIMINARY APPROVAL OF COMMUNITY DEVELOPMENT
BLOCK GRANT (CDBG) PROJECTS FOR YEAR 2017
NOVEMBER 22, 2016
PAGE 5**

ADVANTAGES:

The recommended allocations fund important City priorities. The Community Service Grant Program will assist with funding local public service programs.

DISADVANTAGES:

Providing CDBG funding for the Soto Sports Complex Barrier Removal Project – Phase III takes CDBG funding away from other architectural barrier removal projects, such as installing ADA compliant curb ramps.

ALTERNATIVES:

The following alternatives are provided for the Council's consideration:

- Approve preliminary funding for CDBG programs for the year 2017 as proposed;
- Modify preliminary funding for CDBG programs to eliminate the Soto Sports Complex Barrier Removal Project – Phase III and instead include the installation of ADA compliant curb ramps up to a cost of \$58,757; or
- Provide other direction to staff.

ENVIRONMENTAL REVIEW:

The allocation of CDBG funds is not considered a project under the California Environmental Quality Act (CEQA) and National Environmental Policy Act (NEPA). Specific projects that may have environmental impacts will be reviewed under CEQA and NEPA prior to implementation.

PUBLIC NOTIFICATION AND COMMENTS:

A public hearing notice was published in *The Tribune* on Friday, November 11, 2016. The Agenda was posted in front of City Hall and on the City's website in accordance with Government Code Section 54954.2.

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