

CITY COUNCIL

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Reso No. _____ File No. _____

Ord No. _____

Agenda Item No.: _____
Date: February 28, 2007

TO: Honorable Mayor and Members of the City Council

FROM: Jerry Van Leeuwen, Director of Housing & Neighborhood Services

SUBJECT: Second Amendment to FY 2006-2007 Action Plan to Re-Allocate Funds between Projects; Review of Local Community Development Priorities of the Consolidated Plan; Approval of an Allocation Process for FY 2007-2008 Relative to Community Development Block Grant (CDBG) Projects and Programs; Discussion of Allocation Process for FY 2008-2009 CDBG Public Service Projects

RECOMMENDATIONS:

1. Adopt Resolution 2007-29 approving a Second Amendment to the FY 2006-2007 Action Plan to re-allocate funds from the Mercado Landscape Improvement project to the Westside/Tulip Street Improvements project; and
2. Review and affirm the Community Development Priorities adopted in the 2005-2010 Five-Year Consolidated Plan for the third year of the Consolidated Plan; and
3. Consider and approve an expedited allocation process for FY 2007-2008 Community Development Block Grant (CDBG) Funds for public service projects and programs; and
4. Consider proposed changes to the allocation process for FY 2008-2009 CDBG funds for public service projects and programs, and provide direction to staff.

FISCAL ANALYSIS:

The City anticipates receiving approximately \$1.7 million in CDBG entitlement funds from the U.S. Department of Housing and Urban Development (HUD) for FY 2007-2008. Formal confirmation of the exact FY 2007-2008 allocation amount is expected sometime in spring of 2007. Specific recommendations for allocations of CDBG funds will be brought to Council in April, 2007 for adoption in the One-Year Action Plan for FY 2007-2008. CDBG projects and related administrative costs will be funded solely by grant funds and will not impact the General Fund.

CORRELATION TO THE CITY COUNCIL ACTION PLAN:

This item relates to the Council's Action Plan regarding Community Outreach, Economic Development, Image and Appearance, and Workforce Development.

PREVIOUS ACTIONS:

On May 4, 2005, the Escondido City Council formally adopted the FY 2005-2010 Consolidated Plan (which included the six Community Development Priorities) and FY 2005-2006 One-Year Action Plan.

On April 5, 2006, the Escondido City Council adopted the FY 2006-2007 One-Year Action Plan.

On May 10, 2006, Council adopted a First Amendment to the FY 2006-2007 One-Year Action Plan to include a re-allocation of funds from Westside/Tulip Street project (the "default" project) to the Westside/Upas Street project for project completion.

BACKGROUND:

• **History of Mercado Project funding**

The Mercado project consists of extensive landscape and street improvements. CDBG funding was allocated to the Mercado project via One-Year Action Plans as follows: FY 2000-2001 (\$90,000 + \$10,000 contingency), FY 2002-2003 (\$90,000 + \$10,000 contingency) and FY 2003-2004 (\$100,000). Through FY 2003-2004, a total of \$158,315 was expended for phased improvements related to the opening of Grand Avenue across Centre City Parkway.

In FY 2004-2005, additional funds were allocated to the project as follows: FY 2004-2005 (\$100,000 + \$15,000 contingency) via the One-Year Action Plan. Then, in FY 2005-2006, via an amendment to the Action Plan, Council approved the interim re-allocation of the total remaining funds earmarked for the Mercado project (\$254,000) to the Grove Park project since the funds were needed to award the Grove Park bid and the Mercado project was not expected to begin construction during that year. As Council intended, the funding was restored to the Mercado project in the FY 2006-2007 One-Year Action Plan in the amount of \$254,000 (\$219,000 + \$35,000 contingency).

• **Community Development Priorities**

Based on community needs assessments and citizen participation, six Community Development Priorities were identified and adopted along with the FY 2005-2010 Consolidated Plan. Each year, prior to adoption of the Annual Action Plan, Council is invited to review and re-affirm the Community Development Priorities or may choose to adopt changes at that time. The Community Development Priorities are listed here again for convenience.

- 1) Youth Priority: Increase quality-of-life opportunities for Mission Park Area students and their families by improving their social and physical environment.

- 2) Economic Development Priority: Provide economic development opportunities for Mission Park Area residents.
- 3) Transportation for Seniors Priority: Explore and develop coordinated, low-cost, flexible transportation alternatives for seniors.
- 4) Neighborhood Revitalization Priority: Identify and improve low-income neighborhood areas appropriate for revitalization through direct citizen involvement.
- 5) Homelessness/AIDS Priority: Support comprehensive, integrated service systems to transition local homeless families and individuals, as well as persons with AIDS, to permanent or residential housing and self-sufficiency.
- 6) ADA Improvements Priority: Continue to utilize CDBG and general fund resources, as they become available, to address the public facility needs identified in the City's ADA Transition Plan.

- **Additional Limitations and Qualifications of CDBG Program**

In addition, the CDBG regulations provide limitations of no more than 15 percent of the total CDBG grant amount for public service projects, and to no more than 20 percent of the total grant amount for program administration, planning and design projects. There is no limit to the percentage of the total funds that may be expended for capital improvement projects in low-income neighborhoods.

To qualify for CDBG funding, programs and projects must meet at least one of three national objectives: benefit to low- and moderate-income persons; aid in the elimination of slum and blight; or meet a particular urgent community need because existing conditions pose a serious threat and no other source of funds is available. With very few exceptions, all projects funded with CDBG funds in the City of Escondido must provide benefit to low- and moderate-income persons and households.

- **Other Considerations**

In the past, the City Council has also directed staff to administer the following approaches and procedures regarding the CDBG annual program and process:

- Maximize CDBG resources for comprehensive infrastructure improvements in identified geographic areas (low-income neighborhoods).
- Allocate the maximum allowable 15 percent of the annual CDBG entitlement to public service projects.

- Streamline the annual application process through the following: execute multi-year contracts with qualified vendors; and/or administer a request for qualification process based on criteria specified by the Community Development Priorities and objectives.

The continuation of the maximum allowable 15 percent public service allocation, the use of an expedited allocation process for public service projects, and the prioritization of CDBG resources for infrastructure improvements in targeted low-income areas will enable the City to best meet its five-year Consolidated Plan goals and objectives.

DISCUSSION:

- **Evaluation of Past Year's CDBG Program Performance**

In FY 2005-2006, the City of Escondido completed the first year of the new Consolidated Plan cycle for the period 2005 through 2010. In all cases, the City met or exceeded the one-year goals and objectives specified for each program. A comprehensive review of community development programs is contained in the City's Annual Performance and Evaluation Report (CAPER) for Fiscal Year 2005-2006 on pages 19 through 31. The CAPER was made available for public comment and was submitted to HUD on September 27, 2006. The CAPER is available for review at the Housing and Neighborhood Services Division office in City Hall and on the City's public web page located at <http://www.ci.escondido.ca.us/depts/hns/neighborhood/caper/2005/report.pdf>.

Although great progress was made and substantial achievements were realized in FY 2005-2006, significant efforts are still required to improve the quality of life for Escondido's low-income residents—efforts that are articulated in the city's FY 2005-2010 Consolidated Plan. Programs and projects are currently underway for FY 2006-2007, the second year of the new Consolidated Plan period.

- **Amendment to FY 2006-2007 One-Year Action Plan**

In December of 2006, the City was notified that it would receive SANDAG Smart Growth Incentive Program" funding sufficient for completion of the planned Mercado improvements. This funding will effectively reverse the need for CDBG funds in the project.

At the same time, the Tulip Street project is expected to begin construction during FY 2007-2008 with the addition of a new allocation of funds from the FY 2007-2008 CDBG allocation from HUD. Working with staff, the leaders and members of the West Hillside Neighborhood Group and the Westside Involved Neighbors (WIN) have conceptualized design improvements to the additional sections of Tulip Street (from Second to Ninth Avenues) which are proposed for the next major CDBG project. This project would involve comprehensive street improvements all along Tulip Street including street lights, curbs, gutters, sidewalks, drainage improvements, and new or re-surfaced streets. The Tulip Street project is expected to take from 5 to 7 years' worth of CDBG funding to complete.

Therefore, staff recommends that the CDBG funding currently earmarked for the Mercado project, totaling \$254,000, be re-allocated to begin Phase 1 of the Westside/Tulip Street project.

- **Affirmation of the Community Development Priorities**

It is recommended that the City Council review and re-affirm the community development priorities as set forth above and in the 2005-2010 Five-Year Consolidated Plan with no proposed changes. The City's and the community's efforts and achievements in addressing these priorities to date support continuation of services directed toward the targeted census tracts and neighborhoods. In fact, new community- and City-based efforts are building upon the previous work, activities, studies and achievements in these targeted areas. A comprehensive look at the activities and programs targeted to the Mission Park area will be brought to Council in a workshop planned for late Spring/early summer of 2007.

In the alternative, Council may direct that the Community Development Priorities of the Consolidated Plan be amended to include new or additional priorities.

- **Allocation Process for FY 2007-2008**

Staff recommends the continuation of efforts to streamline the annual application process for FY 2007-2008. There is a clear benefit in allowing the continuation of services already in progress, particularly in the consistency of programs and services delivered to low-income residents. Further, the existing programs funded with CDBG funds have been very successful in meeting the goals and objectives of the Consolidated Plan and are likely to work best in achieving those goals and objectives. In addition, any savings in the administration of the CDBG program results in greater total funding available for capital infrastructure projects in targeted neighborhoods.

Many valuable programs and services exist in the City and proposals are continually accepted and thoroughly evaluated throughout the year. New proposals received in anticipation of the allocation process are provided to Council along with specific funding recommendations in the spring. Therefore, a formal application process is not warranted.

Therefore, staff recommends a continuation of activities with the current service providers in the same proportions of funding as those outlined in the FY 2006-2007 Annual Action Plan in a simplified and streamlined application process. In the alternative, Council may direct that a competitive process (full or limited scope) be conducted for the third year of the Consolidated Plan period.

- **Proposed Changes to Allocation Process for FY 2008-2009**

Staff will be bringing forward ideas and a recommendation for changes in the application process for CDBG programs and projects in the public services category for FY 2008-2009. While staff recommends rolling over the public services contracts for FY 2007-2008, staff also recommends

notifying the current service providers that this will be the final year in which they can expect such rollovers for these services.

Staff proposes to develop a modified process that would enhance the targeted areas' residents' participation in the process of identifying priority services to be purchased with CDBG funds. One major exception to this modified process is the Childcare Subsidy Program that fills a vital need for working parents and that has performed as a significant economic development opportunity within the target area. Staff seeks Council direction to develop recommendations for a modified process for CDBG-funded public service activities and to exclude the Childcare Subsidy Program and its allocation amount from the new modified process.

Respectfully submitted,

Jerry Van Leeuwen
Director of Housing & Neighborhood Services