



Agenda Report

Fullerton City Council

MEETING DATE: JULY 16, 2024

TO: CITY COUNCIL / SUCCESSOR AGENCY

SUBMITTED BY: SUNAYANA THOMAS, DIRECTOR OF COMMUNITY AND ECONOMIC DEVELOPMENT

PREPARED BY: DANIEL VALDEZ, HOUSING MANAGER

SUBJECT: COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM FISCAL YEAR 2024-25 ANNUAL ACTION PLAN

SUMMARY

All jurisdictions receiving Housing and Urban Development (HUD) Community Development Block Grant (CDBG) funding must submit a Consolidated Plan every five years to guide Housing and Community Development programs. The Annual Action Plan sets specific goals and performance benchmarks, detailing proposed CDBG projects and eligible HOME categories.

PROPOSED MOTION

1. Approve the 2024-25 Annual Action Plan (including any amendments to the public service allocation) and authorize Director of Community and Economic Development, or designee, to submit required documents to HUD and execute the 2024-25 CDBG agreements with nonprofits and City Departments.
2. Authorize City Manager, or designee, to make budget amendments to the Fiscal Year (FY) 2024-25 Adopted Budget to align CDBG and HOME budgets with final HUD allocation determination.

ALTERNATIVE OPTIONS

- Approve the Proposed Motion
- Provide alternate distributions for subrecipient allocation
- Other options brought by City Council.

STAFF RECOMMENDATION

Staff recommends the proposed motion.

City Council may consider reallocating up to \$25,000 from current CDCC subrecipient(s) to CARE Housing Services, to continue to provide critical onsite direct social services to Fullerton City Lights residents.

CITY MANAGER REMARKS

The City Manager recommends approval of the 2024-25 Annual Action Plan. The City Manager recommends that the City Council consider reallocation of up to \$25,000 to CARE Housing Services due to the services they provide in the community. If you reallocate funds it will require reducing another agency's allocation. Homeless Intervention Services of OC has not previously received funding and could receive a smaller start-up allocation from CDBG if the City Council desired to reallocate funds from the recommended subrecipients.

PRIORITY POLICY STATEMENT

This item matches the following Priority Policy Statements:

- Infrastructure and City Assets
- Fiscal and Organizational Stability.

FISCAL IMPACT

No General Fund fiscal impact as HUD provides federal funding for 2024-25 Annual Action Plan activities.

Sources of funding for FY 2024-25 include:

CDBG Funds (Fund 35)

- Annual Allocation: \$1,407,083
- Reprogrammable Funds: \$26,304
- Housing Rehabilitation Revolving Funds: \$150,000

HOME Funds (Fund 32)

- Annual Allocation: \$461,693.06
- Approximate Carryover Funds: \$1,363,025
- Anticipated Program Income: \$120,000.

Staff requests budget authority to make budget adjustments to align with final HUD allocations as the City did not have final CDBG and HOME funding allocations when adopting the FY 2024-25 Budget.

BACKGROUND AND DISCUSSION

Annual Action Plan implements the following activities that meet the 2020-24 Consolidated Plan goals:

- affordable housing development, including housing for special needs and veterans
- substandard housing rehabilitation
- assistance to non-profit organizations that provide public services
- fair housing practices support
- homeless or those at-risk of becoming homeless assistance
- public infrastructure including streets, streetscape, flood and sewer improvements.

Staff advised the public of the available funding and solicited proposals for CDBG funds in compliance with federal regulations and to encourage citizen participation. The City received 20 applications from non-profit agencies and City departments in response to the request for proposals for CDBG funds.

Community Development Block Grant Program (CDBG)

The Housing and Community Development Act of 1974 Title I, as amended, established the CDBG Program and authorizes HUD to provide funding for community development activities. Jurisdictions receive CDBG funding provided each proposed project meets eligibility requirements outlined in the Consolidated Plan and the Action Plan that either:

- benefits low / moderate-income residents
- helps prevent or eliminate slums or blight, or
- meets 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 no other financial resources exist to meet such needs.

The City expects a \$1,407,083 2024 CDBG allocation from HUD. Table 1 shows the total \$1,583,387 recommended 2024 CDBG budget.

Table 1 – Total FY 2023 Recommended CDBG Budget

Entitlement Allocation	\$1,407,083
Reprogrammable CDBG Funds unencumbered	\$26,304
Housing Rehab Revolving Account	\$150,000
CDBG Budget	\$1,583,387
Housing Rehab Revolving Account	(\$150,000)
TOTAL AVAILABLE	\$1,433,387

CDBG Proposed Project and Funding Recommendations (Attachment 3) itemizes the 2024 grant amount and limits, the 2023 allocations, the 2024 requests and the 2024 recommendations from the Community Development Citizens' Committee (CDCC). Attachment 3 shows Housing Administration cannot exceed 20 percent of the annual entitlement (\$281,416) and Public Service Activities cannot exceed 15 percent

(\$211,062). Summary of Proposed Projects and Funding Recommendations (Attachment 2) provides a list and description summaries of the CDBG and HOME projects and programs the CDCC reviewed for funding.

Table 2 summarizes the overall CDCC recommendation for the CDBG program.

Table 2 – 2024-25 Recommended CDBG Budget Summary

Housing Administration (includes Fair Housing Services)	\$277,776
Public Service Agency Activities	\$211,062
Housing Rehabilitation Program (includes housing rehab revolving account, lead hazard paint reduction program, BIG housing rehab program, administration)	\$609,000
Code Enforcement	\$130,000
Infrastructure Improvements (Street Reconstruction and Park Improvements)	\$355,549
TOTAL	\$1,583,387

Public Service Activities

Public Service Activities include, but are not limited to, services for the elderly and homeless, childcare, health, drug abuse, education, employment and social services. The CDCC reviewed all proposals and requests for CDBG funding and heard applicant presentations during a series of public meetings. The CDCC based decisions on cost effectiveness, population served (youth, seniors, homeless), program administration and implementation. The CDCC also considers whether agencies rely on CDBG funds to continue programs and provide direct benefit to Fullerton residents.

The City can use a portion of CDBG entitlement for Public Service Activities but cannot exceed 15 percent of the annual entitlement. Therefore, the CDCC had to limit the public service activities allocation to \$211,062.

The application process followed Citizen Participation Plan guidelines in compliance with the 2020-24 Five-Year Consolidated Plan. Table 3 lists the public service activities recommended for funding including requested amount, the recommended amount and the number of low-income Fullerton residents proposed for assistance (based on receiving the full amount requested).

Table 3 – FY 2024 Recommended Public Services Program

Agency - Public Service Programs	Amount Requested	CDCC Recommendation	Proposed Number to Assist
Boys & Girls Club of Fullerton - After-School Care	\$50,000	\$45,000	250
CARE Housing Services – Fullerton City Lights Social Services	\$50,000	\$18,000	145

Community SeniorServ	\$30,000	\$10,000	280
Hart Community Homes – Monkey Business Café	\$45,000	\$40,000	15
Lutheran Social Services of Southern California – Victims Intervention Project	\$20,000	\$10,000	60
Mercy House Living Centers, Inc. – Bridges at Kraemer Place	\$10,000	\$10,000	100
Pathways of Hope – Regional Homeless Service Coordination	\$50,000	\$20,000	210
YMCA of Orange County – Richman Center Youth Achievers	\$15,000	\$15,000	25
Homeless Intervention Services of OC (HIS-OC) Street Based Case Management	\$200,000	\$43,062	200
TOTAL PUBLIC SERVICE FUNDING	\$470,000	\$211,062	1285

The CDCC did not recommend the following activities for funding:

1. Action Alliance Foundation / Project Hope - ineligible activity as request would pay rents in a shelter program, in partnership with a for-profit organization (for- profits are not CDBG eligible).
2. The Bridge Boxing Club - agency withdrew their application as they were not prepared to answer questions related to application.
3. OC United Love Fullerton - inconsistencies with application and labor / volunteer usage.
4. Recovery Road Food Pantry - identified as a food pantry, but description includes additional services. Agency seeks funds to cover rental expenses.
5. Moms Orange County (Maternal Child Health Care Coordination Program) - unable to provide statistical data as required.
6. StandUp for Kids - inconsistencies with targeted population.

Housing Rehabilitation Program

The City's Housing Rehabilitation Program provides loans and grants. The City established a Loan Committee in the late 1970s to review and approve applications for CDBG and HOME funded loans and to award contracts for housing rehabilitation loans. The type of loans and grants offered by the City includes:

- Single-family unit loans (owner-occupied)
- Mobile home loans
- Emergency loans and grants (provides grants to residents below 50 percent of the median income to address emergency health and safety issues).

The Housing Rehabilitation Program provides housing rehabilitation loans and grants to residents of all ages who meet the income requirements with seniors comprising the majority of applicants. The housing rehabilitation loans are available for owner-occupied

single-family and mobile home units and include roof, plumbing and handicap accessibility improvements and repairs. Emergency grants are also available, limited to repair or replacement of items that make the home unlivable if not corrected immediately (i.e., broken gas line, plumbing, water heater, etc.).

Block Improvement Grant Program (BIG)

The Block Improvement Grant provide financial supportive services to homeowners in designated areas. The BIG program assists moderate income-owner occupant property providers located within designated areas, by providing grants for housing rehabilitation for exterior improvements. The maximum grant amount totals \$50,000. This program provides grants that the recipient does not repay.

Fair Housing

The City must provide a fair housing program that includes a landlord/tenant program to receive CDBG funds. This can be very costly as requires staff to provide information and recommendations an legal assistance. The City has found it most cost effective to contract with a non-profit that can provide the necessary services at a reduced price to the City.

Code Enforcement

The City established a special Code Enforcement program to provide proactive services in designated areas of the City. The assigned Code Enforcement Officer works with the housing division and provides information to residents seeking supportive services through the BIG Program.

Infrastructure Improvements

The Parks and Recreation Department requested \$350,000 in CDBG funding for park improvements. The Capital Improvement Program (CIP) includes the proposed infrastructure projects.

Table 4 – FY 2024 Recommended Parks and Recreation Projects

Program	Amount Requested	CDCC Recommendation
Park Improvements (Union Park)	\$350,000	\$355,549
TOTAL PARKS AND RECREATION FUNDING		\$355,549

HOME PROGRAM

The 1990 Cranston-Gonzalez National Affordable Housing Act Title II (the HOME Investment Partnerships Act) created the HOME Program to expand the affordable housing supply. The HOME Program is not a categorical grant and allows eligible jurisdictions to establish the type and mix of housing assistance programs to meet local housing needs. Eligible activities include first-time homebuyer, tenant-based rental assistance, acquisition, rehabilitation and new construction programs.

The City will utilize HOME funding in one or more of five categories:

1. Administration
2. Affordable housing through acquisition / rehabilitation
3. New construction
4. Community Housing Development Organizations (CHDO) funds
5. Tenant-based rental assistance (TBRA).

The 2024-25 HOME allocation totals \$461,693. HOME administration cannot exceed ten percent of the annual allocation (\$46,169) and fifteen percent of the HOME dollars (\$69,254). The City must allocate to a CHDO for an eligible HOME project.

The City may combine CHDO funds with acquisition, rehabilitation and/or new construction and allocate through a separate process. Like the CHDO funds, the funds allotted to acquisition, rehabilitation, and/or new development are not attached to a specific project. However, HUD regulations require that eligible HOME-funded affordable housing activities be approved in the Action Plan before the City receives funds.

2020-24 Five-Year Consolidated Plan May 19, 2020 - Page 7: Approval of the Action Plan does not obligate the City to fund only the activities listed as the City may amend the Action Plan. Staff will present any project for consideration if staff identifies an active reliable CHDO to develop an acquisition and/or rehabilitation project that will provide additional affordable housing.

Table 5 – Total FY 2024 HOME Program Budget

2024-25 Entitlement Allocation (Anticipated New Funds)	\$ 461,693
Carryover HOME Funds (Prior Year Funds)	\$1,363,025
Anticipated Program Income HOME Funds	\$ 120,000
TOTAL AVAILABLE	\$1,944,718

The following lists proposed HOME activities for 2024-25:

Administration: The City would allocate the maximum \$46,169 to HOME Program administration.

TBRA: The mobile home rental assistance program for seniors is in the second and final year of the program. Staff will develop a new two-year program for seniors (62+) or veterans meeting the income guidelines living in mobile homes for the 2024-25 program year (\$300,000).

Staff would implement a second, two-year Citywide program for renters meeting income guidelines and paying more than 30 percent of their income into housing costs in 2024 (\$500,000).

Housing Rehabilitation: The City would allocate \$600,000 of HOME funds to the Housing Rehabilitation Program for use over a two-year period once HUD approves the After Rehab Value.

Attachments:

- Attachment 1 - PowerPoint Presentation
- Attachment 2 - Draft 2024 Annual Action Plan
- Attachment 3 - Summary of Proposed CDBG / HOME Projects
- Attachment 4 - CDBG Proposed Projects and Funding Recommendations

cc: City Manager Eric J. Levitt