



# CITY COUNCIL STAFF REPORT



July 12, 2022

## ITEM TITLE

Department of Housing and Urban Development Grant Funding: Approval of the 2022/23 Annual Action Plan

**Report Number:** 22-0130

**Location:** No specific geographic location

**Department:** Development Services

**Environmental Notice:** The activity is not a "Project" as defined under Section 15378 of the California Environmental Quality Act ("CEQA") State Guidelines and Title 24 of the Federal Code of Regulations; therefore, pursuant to State Guidelines Section 15060(c)(3) and Federal Guidelines Part 58.34(a)(2) & (3) no environmental review is required. Notwithstanding the foregoing, the activity qualifies for an Exemption pursuant to Section 15061(b)(3) of CEQA and Part 58.34 (a)(2) & (3) of the National Environmental Policy Act ("NEPA").

## Recommended Action

Adopt a resolution: (1) approving the 2022/23 U.S. Department of Housing and Urban Development ("HUD") annual spending plan for the Community Development Block Grant, HOME Investment Partnerships Program, and the Emergency Solutions Grant (the "Action Plan"); (2) authorizing the City Manager or designee to execute subrecipient agreements and all HUD documents related to the grants; and (3) appropriating funds for that purpose. **(4/5 Vote Required)**.

## SUMMARY

The City of Chula Vista has received and reviewed funding applications for the U.S. Department of Housing and Urban Development ("HUD") grant programs including: (1) Community Development Block Grant ("CDBG"); (2) HOME Investment Partnerships Act ("HOME"); and (3) Emergency Solutions Grant ("ESG") funds. On April 8, 2022, the 2022/2023 funding recommendations were released for a 30-day public comment period which closed on May 9, 2022, with no public comments received. Due to delays in HUD's release of final allocations, the City received its annual allocation amounts on May 16, 2022. Staff updated the 2022/23 Annual Action Plan and re-released it for another 30-day public comment period, as required by HUD due to significant revisions that were made. The second 30-day public comment period opened June 3, 2022 and closed July 4, 2022, with no public comments received. Staff is requesting Council approval of the final action plan before it is submitted to HUD by the extended deadline of July 16, 2022.

## **ENVIRONMENTAL REVIEW**

The Director of Development Services has reviewed the proposed activity for compliance with CEQA and NEPA. The activity is not a “Project” as defined under Section 15378 of the State CEQA Guidelines because the proposal consists of a reporting action, is not for a site-specific project(s) and will not result in a direct or indirect physical change in the environmental. Therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines the activity is not subject to CEQA. Under NEPA, the activity is exempt pursuant to Title 24, Part 58.34(a)(2)&(3) of the Code of Federal Regulations and pursuant to the U.S. Department of Housing & Urban Development Environmental Guidelines. Thus, no further environmental review is necessary at this time. Although environmental review is not necessary at this time, once a project(s) has been approved, environmental review will be required and a CEQA/NEPA determination completed prior to initiation of any related project activity.

## **BOARD/COMMISSION/COMMITTEE RECOMMENDATION**

Not applicable.

## **DISCUSSION**

As an entitlement community with HUD, the City of Chula Vista receives annual funding under three entitlement block grant programs: CDBG, HOME and ESG. The grant amounts allocated to each jurisdiction are determined using a formula based on statistical and demographic data. The purpose of this funding is to provide housing, a suitable living environment, and to expand economic opportunities principally for low and moderate-income persons. As a recipient of these HUD funds, the City is required to adopt a five-year planning document, entitled the Consolidated Plan (the “ConPlan”) which describes the City's five-year strategy for use of these funds based upon the identified goals and objectives related to its housing and community development priorities.

The City annually selects activities for funding that best meet the needs of the community as specified within the ConPlan, while also meeting the national objectives and requirements of the grant funds. The selected activities are then incorporated into a one-year planning document, known as the Annual Action Plan (the “Action Plan”). The Action Plan constitutes the City’s formal funding application to HUD for the corresponding grant year. The 2022/2023 Action Plan represents the third year of the ConPlan period. The Action Plan has been revised and released for a second 30-day comment review period with no comments received. Additionally, the City must enter into a formal agreement with HUD (Attachment No. 2) as well as execute a Subrecipient 2-Party Agreement and MOU with each approved applicant (Attachments No. 3 and 4).

The City’s 2020/2024 Five-Year ConPlan identifies a total of five priorities under Housing and Community Development for funding consideration.

**Table I: 2020/2024 Consolidated Plan Funding Priorities**

PRIORITY	Goal	ACTIVITY TYPE
Homelessness	Assist individuals and families to gain stable housing after experiencing homelessness or a housing crisis by providing appropriate services and housing solutions on a path to stability.	<ul style="list-style-type: none"> <li>• Shelter Operations</li> <li>• Homeless Prevention</li> <li>• Homeless Outreach</li> <li>• Homeless Supportive Services</li> </ul>
Social Service Programs	Invest in community social services to promote equity and serve the most vulnerable of the community's population.	Public Services to Low/Moderate Income including the following population: <ul style="list-style-type: none"> <li>• Homeless Veterans; Youth; Seniors; Victims of Domestic Violence; Special Needs/Disabled</li> </ul>
Capital Improvement and Public Facilities	Support the development of vibrant, equitable and accessible neighborhoods by investing in public facilities and infrastructure.	<ul style="list-style-type: none"> <li>• ADA improvements</li> <li>• New streets and sidewalks</li> <li>• Public facility improvements</li> </ul>
Economic Development	Enhance the City's economic stability by investing in inclusive economic growth initiatives that develop and strengthen small businesses, employment and workforce development programs and improving access to jobs.	<ul style="list-style-type: none"> <li>• Business Financial Assistance Programs</li> <li>• Business Technical Assistance</li> <li>• Job Training and Placement</li> </ul>
Affordable Housing	Increase affordable rental and owner-occupied housing to improve housing opportunities that reflect the community's needs.	<ul style="list-style-type: none"> <li>• New Construction</li> <li>• Acquisition</li> <li>• Rehabilitation</li> <li>• First-Time Homebuyer Assistance</li> <li>• Tenant-Based Rental Assistance</li> </ul>

**2022/2023 ANNUAL ACTION PLAN****Resources**

HUD provided the City's allocation amounts for 2022/23 on May 16, 2022. Although this is later than HUD typically finalizes their appropriations process, HUD has given cities additional time to submit the Action Plan, allowing submission up to 60 days after 2022/23 allocations have been announced. Chula Vista's 2022 submission deadline is July 16, 2022.

The City's 2022/23 allocation for CDBG funds was \$402,705 lower than anticipated, HOME was funded with \$9,552 more than anticipated and ESG received \$74 less than anticipated in the first version of the Annual Action Plan that was presented to City Council on April 12, 2022. This reduced allocation to CDBG required significant revisions to the previously anticipated subrecipient funding decisions. Projects previously identified for potential increased funding instead received smaller allocations. Per HUD policy, these

reductions required re-release of the annual action plan for a 30-day public comment period. Updated allocations are reflected in the tables below.

In addition to its 2022/23 entitlement amount, the City will also allocate prior year unencumbered ESG funds, which are \$105 less than as presented in the report dated April 12, 2022. These funds typically become available as projects are completed under budget, loans are repaid, or other program income is generated.

**Table II: 2022/2023 Grant Funding**

PROGRAM	ENTITLEMENT AMOUNT	PRIOR YEAR (UNENCUMBERED)	TOTAL AVAILABLE FOR 2022/2023
Community Development Block Grant	\$2,297,295	\$0	\$2,297,295
HOME Investment Partnerships Act	\$ 909,552	\$0	\$909,552
Emergency Solutions Grant	\$ 199,926	\$1,204,890	\$ 1,404,816
<b>Total</b>	<b>\$3,406,773</b>	<b>\$1,204,890</b>	<b>\$4,611,664</b>

### ***Funding Requests***

As part of the annual Action Plan process, the City releases a Notice of Funding Availability (“NOFA”) for the three grant programs. The NOFA was released in February 2022, with an original submittal deadline of March 7, 2022. This deadline was extended to March 9, 2022, due to technical difficulties with the application submittal system. Housing staff has reviewed all proposals to ensure compliance with the prescribed regulations and consistency with the City’s goals and objectives.

An executive summary was prepared for each request which summarizes the requested funding level, proposed use of funds, and benefit to the community. This executive summary was presented to Council on April 12, 2022. The federal grant funding recommendations for CDBG, HOME and ESG are presented below.

### **Community Development Block Grant (CDBG)**

For fiscal year 2022/2023, the City will utilize an estimated total of \$2,297,295 of CDBG funds. All projects considered for funding must address at least one of the three CDBG National Objectives: (1) benefit primarily low/moderate income families; (2) aid in the prevention or elimination of slums or blight; or (3) meet community needs due to a major emergency such as a natural disaster.

Projects are then classified into three distinct categories:

1. Administration and Planning
2. Public Services; and
3. Capital Improvement Projects (“CIPs”) and Community Development.

Below is a summary of the funding recommendations under each respective category.

#### **1. Administration/Planning Recommendations**

Funds under this category cover all City staff costs associated with the management and administration of the City of Chula Vista's CDBG program including regulatory compliance, contract administration, subrecipient monitoring and fiscal management. This also includes preparation of the required planning documents, such as the Annual Action Plan, the Consolidated Plan, and the Analysis of Impediments to Fair Housing Choice. Federal regulations governing the CDBG program limit the amount that the City

spends on administration/planning activities to 20 percent (20%) of the entitlement amount for the program year (estimated cap of \$459,459 in 2022/23).

**Table III: 2022/2023 CDBG Administration Funding**

Applicant	Program	Recommended
1 DSD – Housing Division	CDBG Administration/Planning*	\$399,459
2 CSA San Diego County	Fair Housing and Tenant/Landlord Services	\$60,000
<b>Total</b>		<b>\$459,459</b>

*\*Funds were reduced by \$50,541 from \$450,000 in the April 12, 2022 recommendations.*

## 2. Public Services Program Recommendation

Funds for Public Services activities are awarded to local agencies and community organizations to implement projects and programs that improve the lives of low-income residents, including the elderly, disabled, at-risk, and homeless. The amount of funds the City may allocate to public services is limited to fifteen percent (15%) of the annual entitlement (estimated cap of \$344,594 in 2022/23). Staff's funding recommendations for public service activities are based on funding priorities established in the ConPlan, along with an established ranking criterion which categorizes the programs by community need (Tier I-III, with Tier I as the highest).

**Public Services Community Need Ranking**

Tier I (highest)	Tier II	Tier III
<b>Emergency Needs:</b> Programs that address basic, fundamental needs including shelter, food, and other commodities.	<b>Special Needs/Disabled:</b> Programs that provide services to persons with disabilities, special needs, and are at high-risk.	<b>Other General Services:</b> All other services which do not fall within Tier I or II and provide general public services to low/moderate income persons.

A total of fourteen public service applications were received in this category. With the exception of applicant number 14 (Women Initiating Success Envisioned Inc.), all requests are previous grant recipients and are in good standing with the City of Chula Vista and HUD. Women Initiating Success Envisioned Inc. is a newly formed organization with limited experience in receiving and administering federal funding. Staff recommends funding of Women Initiating Success Envisioned Inc. for its first year with staff providing the necessary technical assistance for compliance and the successful delivery of the proposed program.

Summarized below are the list of applicants, program name and amount of recommended funding by staff.

**Table IV: 2022/2023 CDBG Public Services**

Program	Recommended
Alpha Project for the Homeless	Take Back the Streets <sup>1</sup> \$19,594
Chula Vista Elementary School District	Family Resource Center Emergency & Basic Services <sup>2</sup> \$25,000
City of Chula Vista Parks and Rec	Norman Park Senior Center \$30,000

City of Chula Vista Parks and Rec	Therapeutic Recreation Programs for Adults with Severe Disabilities	\$20,000
Family Health Centers of San Diego	Family Health Centers of San Diego Mobile Medical Services	\$30,000
Jacobs & Cushman San Diego Food Bank	Food for Kids Backpack Program	\$15,000
Meals-on-Wheels Greater San Diego	Senior Meal Delivery & Accompanying Services	\$25,000
SBCS Corporation	Family Violence Support Services <sup>3</sup>	\$39,000
SBCS Corporation	Homeless Services	\$40,000
SBCS Corporation	South Bay Food Program	\$11,000
Voices for Children	Court Appointed Special Advocate (CASA) Program	\$15,000
Women Initiating Success Envisioned Inc. (WISE)	Women Initiating Success Envisioned Inc.	\$15,000
McAlister Institute	Work For Hope	\$60,000
<b>Total</b>		<b>\$344,594</b>

<sup>1</sup>Take Back the Streets application received requested \$99,000. It is anticipated that a request for other funds will be made at a later date to continue the program.

<sup>2</sup>Family Resource Center application received requested \$35,000; however, staff has recommended funding at prior year allocation amount of \$25,000.

<sup>3</sup>Family Violence Support Services application requested \$240,000. Council approved the use of \$200,000 in ARPA funds for this purpose at the meeting of April 26, 2022, rather than using CDBG funds for the full amount.

<sup>4</sup>Hotel/Motel Voucher Program in the amount of \$10,000 will be funded through alternate Housing funding source.

### 3. CIPs and Community Development

After the Public Services and Administration activities are funded, a total of \$1,493,242 remains for eligible capital improvement projects, public facility improvements, and other housing/community development related activities. The City has earmarked \$657,214 for the annual Castle Park Infrastructure Section 108 debt service payment, with seven years remaining on the 20-year loan term. This leaves a balance of \$836,028 for new projects.

To be considered eligible for funding within the CIP category, the project must be located in a primarily residential area designated as low/moderate income by the U.S. Census and cannot be regional in nature (serving the entire City or county region). Priority is given to those projects with the most effectiveness and the greatest feasibility by demonstrating leveraging of additional funding sources, benefit and impact to the community, and relevance to the City of Chula Vista's Critical Needs List and/or Pedestrian Master Plan.

A total of four applications are presented under this category: the City's Section 108 Loan payment and three CIPs (Rienstra Park ADA Accessibility Improvements, Lauderbach, and D Street).



**Table V: 2022/2023 CDBG Community Development Projects**

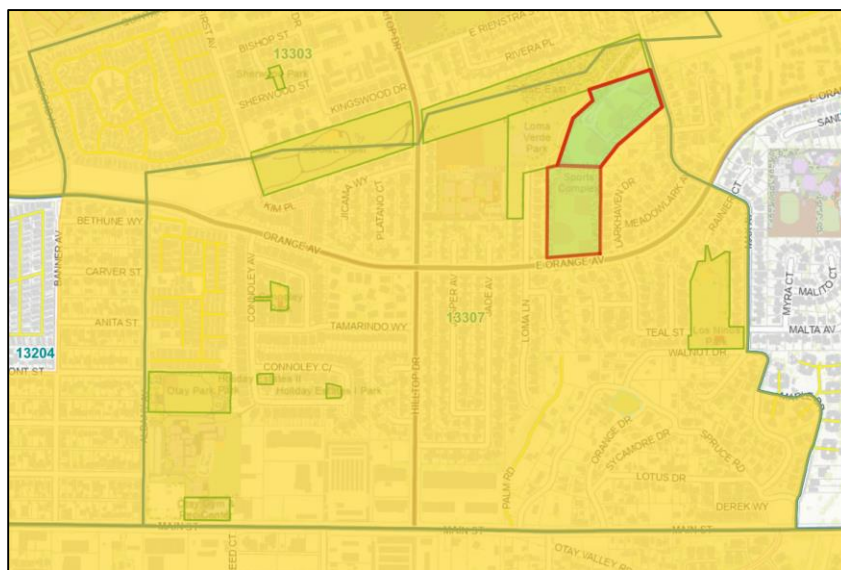
Program		Recommended
City of Chula Vista Parks and Rec*	CIP - Rienstra Park ADA Accessibility Improvements <sup>1</sup>	\$344,028
SBCS Corporation	CIP - Lauderbach	\$392,000
Chula Vista Housing Division	Section 108 Loan	\$657,214
Chula Vista Engineering Division	CIP - D Street	\$100,000
<b>TOTAL</b>		<b>\$1,493,242</b>

<sup>1</sup>Reduced by \$50,541 from April 12, 2022, proposed amount of \$635,786.

Per CDBG regulations, CIP projects must serve an area where at least 51% of residents are low and moderate income. Provided with a description of the projects are maps illustrating each location and HUD-designated Low/Moderate Income Census Tract (shaded in Yellow)

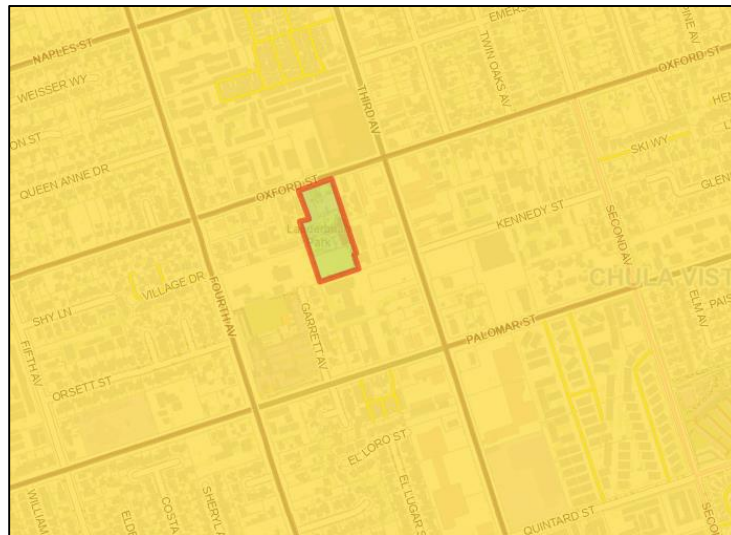
The Rienstra Park CIP will provide for ADA access to all park baseball fields by providing accessible pathways to and between each field, including redesigning the lower portion of the park to eliminate two (2) unused fields and rebuild the remaining two (2) fields with ADA access. This will create a total of six (6) accessible fields and new paved access to East Orange Avenue. The parking lot will be resurfaced/restriped and will include accessible routes to the field locations and convert an asphalt drainage inlet to a planted bioretention basin. The reduction of CDBG funds allocated to this project will be offset by non-CDBG funding.

#### Rienstra Park



The Lauderbach CIP will add a commercial kitchen to the Lauderbach Community Center to be utilized in conjunction with SBCS food and nutrition programs to educate the community on healthy eating and active living. The kitchen will also be available for use as a way for community members to begin their own businesses (making and selling food items for income) as a way to increase their self-sufficiency. In addition to adding the kitchen, SBCS will enhance the security of the building.

### **Lauderbach Community Center**



The D Street CIP is an existing project, which will provide missing pedestrian pathway and street improvements along the north side of D Street along the entire frontage of a mobile home park. Addressing this gap will provide the only continuous ADA accessible pedestrian pathway on this transit corridor block between Broadway and Industrial Boulevard. Prior year allocations for this project total \$425,000. With the current year proposed allocation, the CDBG funds applied to this project will total \$100,000.

### **D Street Capital Improvement Project**





### Home Investment Partnerships Act (HOME)

HOME funds may be used to provide affordable rental housing and home ownership opportunities through:

1. New construction
2. Acquisition
3. Rehabilitation
4. First time homebuyer assistance; and/or
5. Tenant-based rental assistance.

For 2022/23, the City of Chula Vista will utilize the HOME entitlement to address the City's housing priorities of the 2020/2024 ConPlan (approximately \$909,552). Per the HOME regulations fifteen percent (15%) of the annual allocation must be set aside to assist Community Housing Development Corporations ("CHDOs") for the creation of affordable housing units (estimated minimum of \$136,433 in 2022/23). This requirement will be considered when issuing a Request for Proposals for new development.

**Table VI: 2022/2023 HOME Projects**

Program		Recommended
DSD – Housing Division	HOME Planning and Administration	\$90,955
SBCS Corporation	Tenant Based Rental Assistance	\$818,597
<b>TOTAL</b>		<b>\$909,552</b>

The City received one application eligible for HOME funds from SBCS to provide tenant based rental assistance for general low- and moderate-income residents. The remainder of funds will be utilized for future affordable housing development proposals and administration expenses.

### Emergency Solutions Grant (ESG)

The City of Chula Vista will receive \$199,926 in ESG entitlement funds for FY 2022/23 and unencumbered prior year funds of \$1,204,890 for a total available of \$1,404,816. ESG funds may be used to provide homeless services through:

1. Homeless Prevention
2. Rapid Re-Housing (rental assistance)
3. Street Outreach
4. Emergency Shelter; and/or
5. Homeless Management Information Systems ("HMIS").

The City received four proposals for ESG, including one proposal from the Interfaith Shelter Network of San Diego and three applications from SBCS Corporation. All requests are previous grant recipients and are in good standing with the City of Chula Vista and HUD. The remaining funds will be earmarked for Planning and Administration Costs (7.5% of the entitlement, or \$14,994 in 2022/23), Homeless Prevention and Rapid ReHousing Services, and the HUD mandated Homeless Management Information System. These programs will be administered by DSD Housing staff.

**Table VII: 2022/2023 ESG Programs**

<b>Applicant</b>		<b>Program</b>	<b>Recommended</b>
21	DSD – Housing Division	ESG Planning and Administration <sup>1</sup>	\$14,994
22	SBCS Corporation	ESG - Casa Nueva Vida <sup>2</sup>	\$69,932
23	SBCS Corporation	Homeless Prevention Program	\$100,000
24	SBCS Corporation	CIP - Shelter Rehab	\$1,204,890
25	Interfaith Shelter Network of San Diego	Rotational Shelter Program	\$15,000
<b>TOTAL</b>			<b>\$1,404,816</b>

<sup>1</sup>Reduced by \$6 from the April 12, 2022, proposal.

<sup>2</sup>Reduced by \$223 from the April 12, 2022, proposal.

## **Conclusion**

While the ESG and the HOME programs were designed to meet very specific objectives, the CDBG program allows flexibility in the type of activities it funds. This allows the City to leverage its CDBG funds with ESG and HOME funds to maximize the impact of the grant funding to meet the housing needs of the lower income community. Since the end of redevelopment in California in 2012, the City of Chula Vista has lost \$21 million that would have otherwise been generated from redevelopment for affordable housing related activities. As the cost of housing has increased year after year, far outpacing income growth, housing has become increasingly unaffordable to more members of the community.

The revised 2022/2023 Annual Action Plan was released for the required 30-day review and comment period on June 3, 2022, and closed July 4, 2022, with no public comments received. Staff recommends that the City Council adopt the final version of the 2022/23 Annual Action Plan as presented in Attachment No. 1, authorize the City Manager or designee to execute into all necessary documents to accept HUD grant funds and enter into subrecipient agreements substantially in the form presented in Attachments No. 2-4, and appropriate funds therefore.

## **DECISION-MAKER CONFLICT**

Staff has reviewed the property holdings of the City Council members and has found no property holdings within 1,000 feet of the boundaries of the Rienstra Park Improvement, Lauderbach, and D Street CIPs which are the subject of this action. Consequently, this item does not present a disqualifying real property-related financial conflict of interest under California Code of Regulations Title 2, section 18702.2(a)(7) or (8), for purposes of the Political Reform Act (Cal. Gov't Code §87100, et seq.). Staff is not independently aware and has not been informed by any City Council member, of any other fact that may constitute a basis for a decision-maker conflict of interest in this matter.

## **CURRENT-YEAR FISCAL IMPACT**

There is no current-year fiscal impact to the General Fund as a result of this action. In the remote event that HUD should withdraw the City's CDBG, ESG, and HOME funding, the Agreements/Memorandum of Understandings provide that the City is not obligated to compensate subrecipients or City Departments for program expenditures.

Recommended funding allocations are summarized below.

<b>Community Development Block Grant (CDBG)</b>	
CDBG Administration and Planning	\$459,459
Public Services	\$344,594
Section 108 Loan Payment	\$657,214
Capital Improvement and Housing	\$836,028
<b>Subtotal</b>	<b>\$ 2,297,295</b>
<b>Home Investment Partnerships Act (HOME)</b>	
HOME Planning and Administration	\$90,955
Affordable Housing Projects/Programs	\$818,597
<b>Subtotal</b>	<b>\$909,552</b>
<b>Emergency Solutions Grant (ESG)</b>	
ESG Administration and Planning	\$14,994
Shelter Services and Operations	\$1,204,890
Homeless Prevention and Rapid ReHousing	\$184,932
<b>Subtotal</b>	<b>\$1,404,816</b>
<b>TOTAL CDBG, HOME and ESG</b>	<b>\$4,611,664</b>

## ONGOING FISCAL IMPACT

There is no ongoing fiscal impact to the City's General Fund as a result of this action. All costs associated with the administration of the CDBG, HOME and ESG programs are covered by the respective grants.

## ATTACHMENTS

1. 2022/2023 Annual Action Plan
2. Sample CDBG Interdepartmental MOU
3. Sample CDBG Subrecipient Agreement
4. Sample ESG Subrecipient Agreement

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