



MEMORANDUM

TO: City Council

FROM: Brian Pedrotti, Director of Community Development

BY: Andrew Perez, Planning Manager

SUBJECT: Final Approval of Community Development Block Grant Projects for Year 2025

DATE: February 11, 2025

RECOMMENDATION:

- 1) Adopt a Resolution Recommending to the County Board of Supervisors Approval of Community Development Block Grant (CDBG) Projects for Year 2025; and
- 2) Find that the preliminary approval of projects is exempt from CEQA, pursuant to CEQA Guidelines Section 15061 subd. (b)(3).

Table 1: Recommended 2025 CDBG Allocations

Project and Category	2024 Allocation	2025 Requested	Proposed 2025 Allocation
<i>Public Services (15% Cap - \$9,638)</i>			
5 Cities Homeless Coalition	\$12,283	\$9,600	\$9,600
Subtotal	\$12,283	\$9,600	\$9,600
<i>Public Facilities (No Cap)</i>			
Curb Ramp and Sidewalk Improvement Project	\$56,749	\$46,302	\$46,302
Subtotal	\$56,749	\$46,302	\$46,302
<i>Economic Development (No Cap)</i>			
Subtotal	\$0	\$0	\$0
<i>Area Benefit (30% Cap - \$19,277)</i>			
Subtotal	\$0	\$0	\$0
<i>Housing Rehabilitation (No Cap)</i>			

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Project and Category	2024 Allocation	2025 Requested	Proposed 2025 Allocation
	\$0	\$0	\$0
Administration (20% Cap - \$12,851)			
City Administration	\$0	\$0	0
County Administration	\$10,646	\$8,353	\$8,353
Subtotal	\$10,646	\$8,353	\$8,353
Total			\$64,255

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

The County of San Luis Obispo (the “County”) has estimated that \$64,255 in CDBG funds will be available to the City in the Fall of 2025. This represents a decrease of \$15,423 below last year’s allocation. The County will help administer the CDBG program for the City, which will reduce City staff time involved. County staff will be paid for these administrative services through the CDBG program funds allocated to the City. Pursuant to the Cooperation Agreement between the County and the City (Attachment 2), 13% of the total available CDBG program funds, or \$8,353, will be deducted by the County to meet its obligations under the terms of the agreement for administrative costs. The City will absorb any administrative costs associated with administering CDBG funds to provide the greatest program benefits with this funding.

BACKGROUND:

The City Council approved a Cooperation Agreement with the County on [June 16, 2023](#)¹, for the joint participation in the CDBG Program for Fiscal Years 2024 through 2026 (Attachment 2). 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, including:

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 released a Notice of Funding Availability on September 3, 2024, and notified the public that the County and participating cities would accept applications for funding until October 6, 2024. 5 Cities Homeless Coalition (5CHC) was the only organization that

¹<https://pub-arroyogrande.escribemeetings.com/Meeting.aspx?Id=04ae3de7-4a11-4994-b194-a473cb991e5d&lang=English&Agenda=Agenda&Item=38&Tab=attachments>

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submitted an application requesting funding from the City’s allocation of CDBG funds (Attachment 3). The request is described in greater detail below.

Staff’s preliminary funding recommendations were presented to the City Council at its meeting [November 26, 2024](#)². The Council was supportive of the preliminary recommendations and did not request any changes, and therefore, no changes have been made to the recommendations since that meeting.

The Cooperation Agreement between the County and the City provides the City with discretion regarding the allocation of funds. Unless the City’s recommendation to the County for funding is 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 April 2025 with the approval of the 2025 Action Plan. HUD requires that each entitlement jurisdiction develop and implement an annual Action Plan that establishes the funding priorities that will best serve the community.

ANALYSIS OF ISSUES:

Public Services

As stated in the Cooperative Agreement, only activities that can either individually or cumulatively receive more than \$8,000 in CDBG funding will be considered due to the staff cost of processing such awards in compliance with federal requirements. The combination of strict CDBG regulations and reporting and availability of funding opportunities provided to non-profit organizations serving the Arroyo Grande community through the City’s Community Service Grant Program (CSGP) have resulted in very few applications requesting funding from this category.

Only one application was received requesting funding from this category for this program year. 5CHC’s application seeks funding to bolster its San Luis Obispo County Rapid Re-Housing/Homeless Prevention Program. This program provides financial assistance to low-income households and individuals facing homelessness to quickly identify and resolve barriers to gaining or maintaining housing. Financial assistance includes emergency rental assistance to households that would otherwise be facing homelessness, deposit assistance, and case management. The goal of the program is to help families avoid homelessness and remain in their homes while simultaneously identifying options for secure, long-term, and stable housing that they can afford to retain. The program objectives align with the San Luis Obispo Countywide Plan to Address Homelessness. The total amount of CDBG funds requested by 5CHC from local agencies is provided in Table 2.

Table 2: 5CHC Funding Requests by Agency

Agency	Amount Requested
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²<https://pub-arroyogrande.escribemeetings.com/Meeting.aspx?Id=8cf6f9db-0e05-48f6-93b1-44a4035fe6c3&lang=English&Agenda=Agenda&Item=58&Tab=attachments>

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City of Arroyo Grande	\$9,600
City of Atascadero	\$3,600
City of Morro Bay	\$3,000
City of Paso Robles	\$17,150
City of Pismo Beach	\$5,000
City of San Luis Obispo	\$9,920
County of San Luis Obispo	\$13,000
Total	\$61,270

In previous years, the City Council has directed staff to prioritize the City’s available public service allocation of CDBG funding to support organizations and programs for homeless services. The request from 5CHC aligns with the San Luis Obispo Countywide Plan to Address Homelessness, and therefore, staff recommends funding 5CHC’s request of 2025 funds for \$9,600 to support its services for individuals facing homelessness.

Public Facilities

As no additional requests for other project categories were received, staff recommends allocating the remaining available funding from CDBG allocation to the Public Facilities category for the Curb Ramp and Sidewalk Improvement project. The total funding recommendation is \$46,302, which is the remaining funding available after fulfilling the request from 5CHC and the County Administration required by the Cooperative Agreement. The project will improve curb ramps to ADA standards adjacent to streets being paved in conjunction with the annual Pavement Management Program. The use of CDBG funding furthers the objectives of the federal program, eliminating blight and addressing urgent community needs, while also allowing for the most efficient use of the City’s Pavement Management Program budget.

The project manager of the Pavement Management Program will also administer and perform the required reporting for CDBG funds, which allows the City’s portion of the administrative funds to increase the funding for the Public Facilities category. This is consistent with the use of 2024 CDBG funds.

Administration

Administration funds are limited to a 20% cap of the total CDBG funding available. Pursuant to the Cooperation Agreement between the County and the City, 13% of the total available CDBG funds, or \$8,353, will be deducted by the County to meet its obligations under the terms of the agreement for administrative costs. The remaining \$4,498 from this category, is recommended to be allocated to the Curb and Ramp and Sidewalk Improvement Project.

ALTERNATIVES:

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

1. Adopt a Resolution approving final funding recommendations for the CDBG projects for the Year 2025, as proposed in Table 1 on page 2 of this staff report;

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2. Modify, and adopt the Resolution approving final funding recommendations for the CDBG programs for the Year 2025; or
3. Provide other direction to staff.

ADVANTAGES:

The recommended 2025 CDBG allocations fund important City priorities and are consistent with the Cooperation Agreement between the County and City. The City's Community Service Grant Program provides an additional funding opportunity, separate from CDBG, for local public service programs that address unmet needs in the community.

DISADVANTAGES:

There have been no disadvantages identified at this time.

ENVIRONMENTAL REVIEW:

The approval of allocations from the 2025 CDBG program is exempt from CEQA on the basis that it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment. (State CEQA Guidelines, § 15061, subd. (b)(3).) The allocation of funding itself will have no effect on the environment and environmental review will be conducted for each of the projects funded through this program, if necessary.

PUBLIC NOTIFICATION AND COMMENTS:

The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2. A public hearing notice was published in the New Times on Thursday, January 30, 2025.

ATTACHMENTS:

1. Proposed Resolution
2. Cooperation Agreement
3. 5CHC Application