



## MEMORANDUM

**TO:** City Council

**FROM:** Brian Pedrotti, Community Development Director

**BY:** Andrew Perez, Planning Manager

**SUBJECT:** Public Hearing to Discuss and Consider a Resolution Approving Community Development Block Grant (CDBG) Projects for Year 2023

**SUMMARY:** The Resolution approving final funding recommendations for the CDBG projects for the Year 2023 is exempt from the California Environmental Quality Act (CEQA) pursuant to State Guidelines Section 15060, 15378 as it does not constitute a “project” under CEQA.

**DATE:** February 14, 2023

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### **SUMMARY OF ACTION:**

Conduct a public hearing to finalize funding recommendations for the City’s allocation of 2023 CDBG funds, which will assist the County of San Luis Obispo with its 2023 Action Plan process. The recommended project funding allocations are: (see Table 1 for more detail):

- Five Cities Homeless Coalition: \$13,095
- Curb Ramp and Sidewalk Improvement Project: \$56,749
- City Administration: \$6,111

### **IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:**

The County has estimated that \$87,305 in CDBG funds will be available to the City in the Fall of 2023. This represents an increase of \$639 over 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 entered into on July 7, 2020 (Attachment 2), 65% of the total available administration funds, or \$11,350, will be deducted by the County to meet its obligations under the terms of the agreement for administrative costs. The remaining 35% of the total available administration funds, or \$6,111 is recommended to be allocated for City administration of the projects funded by the CDBG program.

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**RECOMMENDATION:**

Adopt a Resolution approving projects to be funded with the City’s allocation of CDBG funds for the Year 2023 as shown in Table 1.

**Table 1: Recommended 2023 CDBG Allocations**

Project and Category	2022 Allocation	2023 Requested	Proposed 2023 Allocation
<b>Public Services (15% Cap - \$13,095)</b>			
5 Cities Homeless Coalition	\$13,000	\$13,095	\$13,095
<b>Subtotal</b>	<b>\$13,000</b>	<b>\$13,095</b>	<b>\$13,095</b>
<b>Public Facilities (No Cap)</b>			
Curb Ramp and Sidewalk Improvement Project	\$56,333	\$0	\$56,749
HASLO – Arroyo Terrace Apartments	\$0	\$56,749	\$0
<b>Subtotal</b>	<b>\$56,333</b>	<b>\$0</b>	<b>\$56,749</b>
<b>Economic Development (No Cap)</b>			
<b>Subtotal</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Area Benefit (30% Cap - \$26,191)</b>			
<b>Subtotal</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Housing Rehabilitation (No Cap)</b>			
	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Administration (20% Cap - \$17,461)</b>			
City Administration	\$6,067	\$6,111	\$6,111
County Administration	\$11,266	\$11,350	\$11,350
<b>Subtotal</b>	<b>\$17,333</b>	<b>\$17,461</b>	<b>\$17,461</b>
<b>Total</b>			<b>\$87,305</b>

**BACKGROUND:**

City Council approved a Cooperation Agreement with the County in July 2020 for the joint participation in the CDBG Program for fiscal years 2021 through 2023. 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:

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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.

At least 70 percent of CDBG funding must be used for activities that benefit low- and moderate-income households. The County released a Notice of Funding Availability on September 1, 2022, to notify the public that the County and participating cities would accept applications for funding until October 14, 2022. Two organizations, the 5 Cities Homeless Coalition (5CHC) and the Housing Authority of San Luis Obispo (HASLO), submitted applications requesting funding from the City's allocation of CDBG funds. Those requests are described in greater detail later in this report.

On November 22, 2022, Council considered preliminary funding recommendations for the 2023 projects. Council supported the recommendation to fully fund the request from 5CHC from the public services category. Funding for public service projects is capped at fifteen percent (15%) of the total allocation, which for this project year is estimated to be \$13,095. The funding is proposed to support 5CHC's services that directly assist homeless individuals in the Arroyo Grande community, as outlined in its application (Attachment 2). Council also preliminarily approved staff's other funding recommendations for use of the funding available for the Public Facility category. Staff proposes to use those funds to address sidewalk infrastructure deficiencies on South Halcyon Road. Staff did not recommend funding the request submitted by HASLO due to the availability of other funding for its project, and Council agreed with this recommendation.

#### **ANALYSIS OF ISSUES:**

The following criteria set forth by the County are 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;
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, 2023;
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 provides the City with discretion regarding the 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 2023.

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Public Services

The competitiveness for public service funds, which is capped at 15% of the City’s CDBG allocation, 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. 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.

Because public service organizations are more aware of the stricter CDBG regulations, because of the funding opportunity provided to non-profit organizations serving the Arroyo Grande community through the City’s Community Service Grant Program (CSGP), and because the City Council had previously directed staff to apply CDBG funds toward Public Facility projects, the City has received very few applications over the past several years for CDBG funding.

5CHC’s application seeks funding to bolster its Shelter and Outreach Services and its Housing Program. Together, these programs provide financial assistance to low income households and individuals facing homelessness. Financial assistance includes rental assistance, deposit assistance, and case management. The goal of the program is to assist participants to secure long-term, stable housing that they can afford to retain. 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
City of Arroyo Grande	\$13,095
City of Atascadero	\$4,667
City of Morro Bay	\$3,500
City of Paso Robles	\$16,333
City of Pismo Beach	\$5,238
City of San Luis Obispo	\$20,333
County of San Luis Obispo	\$29,167
Total	\$92,333

Council previously directed staff to prioritize the City’s available public service allocation of CDBG funding for homeless services. Therefore, staff recommends funding 5CHC’s request of Public Facility in the amount of \$13,095 to support its services for individuals facing homelessness.

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The City is committed to and prioritizes addressing Americans with Disabilities Act (ADA) accessibility deficiencies. During the last several years, with Year 2018 being the exception, Council has allocated the majority of CDBG funds to help pay for disabled access barrier removal projects throughout the City. These projects include Hoosegow Park ADA improvements, mid-block crosswalk ADA improvements, the Arroyo Grande Woman's Club building barrier removal project, and various barrier removal projects at the Soto Sports Complex.

Last year, the City Council approved allocating \$56,333 of the 2022 CDBG Public Facilities funds for improving curb ramp and sidewalk improvement infrastructure at the intersection of Alder Street and Farroll Avenue near Harloe Elementary to aid accessibility for residents with disabilities. Upon completion of the project funded by the 2022 CDBG allocation, the route to Harloe Elementary via Alder Street, south from Ash Street and north from Cameron Court, will have ADA compliant curb ramps.

Despite last year's allocation, there are still hundreds of locations throughout the City where ADA compliant curb ramps and sidewalk would benefit the City. Staff recommends allocating the maximum amount of Public Facilities funding towards additional replacement and construction of ADA compliant curb ramps and sidewalk infill to address these deficiencies. Public Works and Engineering staff identified an additional location near Harloe Elementary on S. Halcyon Road that is in need of upgrades (Attachment 5). At the intersection of Virginia Drive and S. Halcyon Road, the southeast corner does not have a curb ramp, nor is there sidewalk between this corner and the adjacent property to the south. Staff recommends replacing the existing curb with a more ADA compliant curb ramp and adding approximately 125 feet of City standard sidewalk between the new curb ramp and the adjacent property to the south. The proposed project, in conjunction with the current infrastructure improvement projects occurring between Virginia Drive and Farroll Road, will result in a complete sidewalk route along the east side of Halcyon Road between Fair Oaks Avenue and the southern boundary of the City.

HASLO also submitted an application requesting funding from the Public Facilities category to assist with costs associated with constructing the Arroyo Terrace apartments at 700 Oak Park Blvd. The apartment project, consisting of 62 affordable housing units and one manager's unit, was approved by the Planning Commission on May 18, 2021. The recent HASLO application states that sixteen (16) of the apartments will now provide housing for households experiencing homelessness and the remaining forty-two (42) will be affordable to tenants with extremely low, very low, and low-income levels. The Arroyo Terrace Project would be eligible for financial assistance through contributions from the City's Affordable Housing Trust Fund, which currently includes approximately \$1.1 million. Therefore, staff does not recommend allocating CDBG funding for this project. Staff will work with HASLO to process a request for funding from the City's Inclusionary Affordable Housing Trust Fund.

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Housing Rehabilitation

The City did not receive any requests for housing rehabilitation projects.

Economic Development

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

Area Benefit

The City did not receive any funding requests for this category.

Administration/Planning and Capacity Building

Planning and capacity building funds are limited to a 20% cap of the total CDBG funding available. Pursuant to the Cooperation Agreement between the County and the City, 65% of the 20% of available funds for planning and capacity building/administration, or \$11,350, will be deducted by the County to meet its obligations under the terms of the agreement for administrative costs. The remaining 35% of the total available funds, or \$6,111, is recommended to be allocated for administration of the CDBG funded projects.

**ALTERNATIVES:**

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

1. Conduct a public hearing and adopt the Resolution approving final funding recommendations for the CDBG projects for the Year 2023, as proposed in Table 1 on page 2 of this staff report;
2. Conduct a public hearing, modify, and adopt the Resolution approving final funding recommendations for the CDBG programs for the Year 2023; or
3. Provide other direction to staff.

**ADVANTAGES:**

The recommended 2023 CDBG allocations fund City priorities, align with Council's direction to support homeless services, and are consistent with the Cooperation Agreement between the County and City.

**DISADVANTAGES:**

The recommendation does not support funding a request from HASLO for its affordable housing project. However, there is funding available in the City's Affordable Housing Trust Fund to support the project.

**ENVIRONMENTAL REVIEW:**

The Resolution approving final funding recommendations for the CDBG projects for the Year 2023 is exempt from the California Environmental Quality Act (CEQA) pursuant to State Guidelines Section 15060, 15378 as it does not constitute a "project" under CEQA.

**PUBLIC NOTIFICATION AND COMMENTS:**

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A public hearing notice was published in The Tribune on Friday, February 3, 2023. The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2.

**Attachments:**

1. Proposed Resolution
2. Cooperation Agreement between the County of San Luis Obispo and the City of Arroyo Grande for the joint participation in the CDBG program, the HOME Investment Partnerships Program, and the Emergency Solutions Grant Program for Fiscal Years 2021 through 2023
3. 5CHC 2023 CDBG Application
4. HASLO 2023 CDBG Application
5. Map of Proposed Curb Ramp and Sidewalk Infill Project Locations