



## MEMORANDUM

**TO:** City Council

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

**BY:** Andrew Perez, Planning Manager

**SUBJECT:** Consider an Agreement between the County of San Luis Obispo and the City for Joint Participation in the CDBG Program, Home Investment Partnerships Program, and Emergency Solutions Grant Program for FY 2024-25 through FY 2026-27

**DATE:** June 13, 2023

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### **SUMMARY OF ACTION:**

Consideration and adoption of a Resolution approving the Cooperation Agreement (Agreement) between the County of San Luis Obispo and the City of Arroyo Grande for joint participation in the Community Development Block Grant Program, the Home Investment Partnerships Program, and the Emergency Solutions Grant Program for Fiscal Years (FY) 2024-25 through 2026-27.

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

Approval of the Agreement will make the City eligible to obtain funding from the Community Development Block Grant (CDBG), the HOME Investment Partnership Act Program, and Emergency Solutions Grant Program (ESG), as a member of the urban county. The proposed Agreement allows the County to retain 13% of the City's CDBG administrative funds for acting as the applicant on behalf of the urban county.

### **RECOMMENDATION:**

1) Adopt a Resolution approving the Agreement between the County of San Luis Obispo and the City of Arroyo Grande for joint participation in the Community Development Block Grant Program, the Home Investment Partnerships Program, and the Emergency Solutions Grant Program for Fiscal Years 2024-25 through 2026-27. 2) Make findings that the execution of the Agreement is not a project for purposes of compliance with the provisions of the California Environmental Quality Act (CEQA) and the City's CEQA Guidelines. (State CEQA Guidelines, §§ 15060, subd. (b)(2)-(3), 15378.)

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#### **BACKGROUND:**

San Luis Obispo County (County) has requested that the federal Department of Housing and Urban Development (HUD) designate County as an “urban county” to be eligible to receive funding from the CDBG program. HUD defines an urban county as a county within a metropolitan area that has a population of 200,000 or more, not including metropolitan cities located therein. The City has participated in the Urban County Program since 2000. Prior to the City’s participation in the Urban County Program, the City was successful in obtaining both CDBG housing and economic development grants through the State on a competitive basis using specialized consultants. Despite the success in obtaining grants from the State, participation in the urban county offers a more predictable, formula-based allocation of funds and there is a wider range of uses for the CDBG funds.

The existing Agreement between the City and County covers FY 2021-22 through 2023-24, with a term that ends on June 30, 2024, and includes provisions for an automatic renewal provision stating that the term will automatically renew for another three-year period unless the City provides written notice at least 60 days prior to the end of the term that it elects not to participate in a new qualification period. On May 22, 2023, the County invited the City to join the Urban County Program for Fiscal Years 2024-25 through 2026-27, consistent with the renewal provision in the existing Agreement. Execution of the Agreement is required by the County to qualify as an urban county. The terms of the Agreement remain unchanged from the existing Agreement and are described in more detail below. The Agreement is included as Exhibit A to the prepared Resolution (Attachment 1).

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

Cities participating in the Urban County Program receive a predictable, formula-based annual grant with a wider range of uses for the Federal CDBG funds. The tradeoff is that the City will not be able to apply for a potentially greater amount of State administered funds during the term of the Agreement. However, since the City does not have any census tracts that are designated as low income, staff does not believe the City would be likely to obtain funding on its own due to the highly competitive process.

The Agreement will allow the City to continue its participation with the County and other participating cities in the federal CDBG, HOME, and ESG Programs. The term of this Agreement is for a period of three (3) years commencing July 1, 2024 and ending on June 30, 2027.

With respect to the HOME program, the City, or a Community Housing Development Organization, such as People’s Self Help Housing (PSHH), can apply to the State for up to \$1,000,000 annually for affordable housing projects. The HOME program is an annual statewide competition. Should the City continue in the San Luis Obispo Urban County

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program, the City cannot apply for these grants. However, PSHH, or a similar nonprofit organization, can apply directly to the County to fund a project located in the City.

The ESG program is designed to address homelessness by providing funding to improve and operate emergency shelters, rapidly re-house unhoused individuals and families, and prevent families and individuals from becoming homeless. The Agreement authorizes the County to also administer the ESG program. the City may subgrant ESG funds to private, nonprofit organizations.

Since 2011, the City has authorized the County to administer the City's public service grants by withholding 13% of the City's allocation of CDBG funds. The remaining 7% of CDBG funding allocated for administration is retained by the City. These amounts are unchanged in the proposed Agreement. Additionally, the proposed Agreement still would contain provisions requiring the City to invoice its administrative expenses by specified deadlines. If these deadlines are missed, the Agreement would authorize the County to use the City's portion of the administrative funds.

Just as in the existing Agreement, the proposed Agreement also specifies that the City shall not recommend an individual CDBG award of less than \$8,000 for public service activities due to the staff cost of processing such awards in compliance with federal monitoring, reporting and other administrative requirements. The public services category of the CDBG program provides funding for a variety of activities including employment services, crime prevention and public safety, and services for senior citizens, homeless persons, and childcare, among others. Recently the City has subgranted public services funding to the 5 Cities Homeless Coalition to support its programs.

#### **ALTERNATIVES:**

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

1. Adopt the Resolution approving the Agreement;
2. Modify as appropriate and adopt the Resolution;
3. Do not adopt the Resolution; or
4. Provide other direction to staff.

#### **ADVANTAGES:**

Executing the Agreement will keep the City in the Urban County and will allow the Council to consider funding programs that provide important public services and programs using CDBG funds. Participation in the County program will guarantee the City will receive a specified amount of funding.

#### **DISADVANTAGES:**

Continuation of the Agreement does not allow the City to compete for substantial statewide CDBG funds for general and economic development projects, which could

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exceed the amount received through the County program. However, it is unlikely that the City would be competitive in the statewide CDBG program given the lack of low income census tracts that are needed to qualify.

**ENVIRONMENTAL REVIEW:**

No environmental review is required for this item as the execution of the Agreement is not a project for purposes of compliance with the provisions of the California Environmental Quality Act (CEQA) and the City's CEQA Guidelines. (State CEQA Guidelines, §§ 15060, subd. (b)(2)-(3), 15378.) Projects funded by future CDBG, HOME, or ESG grant allocations will be reviewed for compliance with the CEQA at the time they are approved.

**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.

**Attachments:**

1. Proposed Resolution