



MEMORANDUM

TO: City Council

FROM: Brian Pedrotti, Community Development Director

BY: Andrew Perez, Planning Manager

SUBJECT: Consideration of Final Approval of Community Development Block Grant Projects for Year 2024 and Finding the Action Exempt Under the California Environmental Quality Act, State Guidelines Section 15061

DATE: February 13, 2024

SUMMARY OF ACTION:

Consider the final funding recommendations to the County Board of Supervisors for the City's allocation of 2024 Community Development Block Grant (CDBG) funds, which will assist the County of San Luis Obispo (the "County") with its 2024 Action Plan process. The recommended project funding allocations (see Table 1 below for more detail) are:

- Five Cities Homeless Coalition: \$12,283
- Curb Ramp and Sidewalk Improvement Project: \$58,960
- County Administration: \$10,646

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

The County has estimated that \$81,889 in CDBG funds will be available to the City in the Fall of 2024. This represents a decrease of \$5,416 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 approved by the City Council on June 13, 2023, for the term beginning on July 1, 2024, and ending on June 30, 2027, 65% of the total available administration funds, or \$10,646, will be deducted by the County to meet its obligations under the terms of the agreement for administrative costs.

RECOMMENDATION:

1) Approve the proposed projects to be funded with the City's allocation of Community Development Block Grant (CDBG) funds for the Year 2024, as shown in Table 1 below; and

Item 9.f.

City Council

Consideration of Final Approval of Community Development Block Grant Projects for Year 2024 and Finding the Action Exempt Under the California Environmental Quality Act, State Guidelines Section 15061

February 13, 2024

Page 2

2) Find that the preliminary approval of projects is exempt from CEQA, pursuant to CEQA Guidelines Section 15061 subd. (b)(3).

Table 1: Recommended 2024 CDBG Allocations

Project and Category	2023 Allocation	2024 Requested	Proposed 2024 Allocation
<i>Public Services (15% Cap - \$12,283)</i>			
5 Cities Homeless Coalition	\$13,095	\$12,283	\$12,283
Subtotal	\$13,095	\$12,283	\$12,283
<i>Public Facilities (No Cap)</i>			
Curb Ramp and Sidewalk Improvement Project	\$56,749	\$0	\$58,960
HASLO – Arroyo Terrace Apartments	\$0	\$58,960	\$0
Subtotal	\$56,749	\$58,960	\$58,960
<i>Economic Development (No Cap)</i>			
Subtotal	\$0	\$0	\$0
<i>Area Benefit (30% Cap - \$24,567)</i>			
Subtotal	\$0	\$0	\$0
<i>Housing Rehabilitation (No Cap)</i>			
	\$0	\$0	\$0
<i>Administration (20% Cap - \$16,378)</i>			
City Administration	\$6,111	\$0	\$0
County Administration	\$11,350	\$10,646	\$10,646
Subtotal	\$17,461	\$10,646	\$10,646
Total			\$81,889

BACKGROUND:

City Council approved a Cooperation Agreement with the County on [June 13, 2023](#) for the joint participation in the CDBG Program for Fiscal Years 2024-25 through 2026-27 (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. The objectives are:

1. Benefit low- and moderate-income persons;

Item 9.f.

City Council

Consideration of Final Approval of Community Development Block Grant Projects for Year 2024 and Finding the Action Exempt Under the California Environmental Quality Act, State Guidelines Section 15061

February 13, 2024

Page 3

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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 October 6, 2023, and notified the public that the County and participating cities would accept applications for funding until November 5, 2023. At the [December 12, 2023](#), City Council meeting, staff presented its preliminary funding recommendations for consideration. The City Council was largely supportive of staff's recommendations but directed staff to reallocate funding from City Administration category to the Public Facilities category to increase funding for the Curb Ramp and Sidewalk Improvement project. That change is reflected in Table 1 and the proposed Resolution (**Attachment 1**).

ANALYSIS OF ISSUES:

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 2024.

Public Services

The 5 Cities Homeless Coalition submitted the lone application requesting funding from the Public Service category. 5CHC's application requests the entire fifteen percent (15%), or \$12,283, 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 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 project aligns with the San Luis Obispo Countywide Plan to Address Homelessness. Staff recommends allocating \$12,283 as requested to this program. This recommendation aligns with prior City Council direction regarding the support of programs and organizations that provide support for individuals and households facing homelessness and the recommendation from the December 12, 2023, City Council meeting.

Public Facilities

When the City Council considered the preliminary recommendations, the City had not received any applications seeking funding from the Public Facilities category. However, prior to the November 5, 2023, deadline, the Housing Authority of San Luis Obispo (HASLO) had submitted an application requesting all of the City's Public Facilities funding to support its Arroyo Terrace project, but the application was withheld from the City for consideration by the County due to eligibility concerns. Those concerns have since been

Item 9.f.

City Council

Consideration of Final Approval of Community Development Block Grant Projects for Year 2024 and Finding the Action Exempt Under the California Environmental Quality Act, State Guidelines Section 15061

February 13, 2024

Page 4

resolved by clarifying the financial responsibilities of HASLO and the San Luis Obispo Nonprofit Housing Corporation. A letter was submitted by HASLO confirming that the application's issues were resolved and confirmed by the Department of Housing and Urban Development. The application and the letter confirming its eligibility are included as **Attachments 4 and 5**, respectively. The Arroyo Terrace project, consisting of 62 affordable housing units and one manager's unit located at 700 Oak Park Blvd, was approved by the Planning Commission on May 18, 2021. HASLO's 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.

Staff reviewed the application and does not recommend supporting this funding request because the City has already taken steps to provide substantial financial assistance for this project. On [July 25, 2023](#), the City Council approved Resolution 5310 which authorized the City Manager, in consultation with the City Attorney and Community Development Direction, to execute a regulatory agreement by which \$448,370.37 would be allocated to the project from the City's Affordable Housing Trust Fund for purposes of covering all building permit costs for this project (**Attachment 6**).

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 \$58,960, 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. The replacement of existing curb ramps will be done in conjunction with scheduled pavement improvements, which are anticipated to occur in 2024. 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 City's Pavement Management Program budget. Use of the funds for the Curb Ramp and Sidewalk Improvement project is consistent with the direction from the City Council at the December 12, 2023, City Council meeting.

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 available funds for planning and capacity building/administration, or \$10,646, 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 from this category is available to cover costs incurred by the City for administration of CDBG project. However, as directed by the City Council during the preliminary recommendation hearing, the \$5,732 is now recommended to be allocated to the Curb Ramp and Sidewalk and Improvement project.

Item 9.f.

City Council

Consideration of Final Approval of Community Development Block Grant Projects for Year 2024 and Finding the Action Exempt Under the California Environmental Quality Act, State Guidelines Section 15061

February 13, 2024

Page 5

No requests were received for housing rehabilitation projects, economic development projects, nor area benefit projects.

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 2024, as proposed in Table 1 on page 2 of this staff report;
2. Modify, and adopt the Resolution approving final funding recommendations for the CDBG programs for the Year 2024; or
3. Provide other direction to staff.

ADVANTAGES:

The recommended 2024 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:

The recommendation does not support funding a request from HASLO for its affordable housing project. However, the City has already pledged financial support for the project via the City's Affordable Housing Trust Fund.

ENVIRONMENTAL REVIEW:

The Resolution approving final funding recommendations for the CDBG projects for the Year 2024 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:

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
3. 5CHC Application
4. HASLO Application
5. HASLO Letter
6. City Council Resolution 5310