



City of Stockton

Legislation Text

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PUBLIC HEARING: FY 2022-23 ANNUAL ACTION PLAN FOR THE COMMUNITY DEVELOPMENT BLOCK GRANT, HOME INVESTMENT PARTNERSHIP, AND EMERGENCY SOLUTIONS GRANT PROGRAMS

RECOMMENDATION

It is recommended that the City Council adopt a resolution:

1. Approving the FY 2022-23 Annual Action Plan for the Community Development Block Grant, HOME Investment Partnership, and Emergency Solutions Grant Programs; and
2. Authorizing the City Manager or designee, to appoint staff as the Certifying Officer responsible for completing the environmental review process to ensure compliance with the National Environmental Policy Act (NEPA); and
3. Authorizing the City Manager, or designee, to execute and submit all documents to the U.S. Department of Housing and Urban Development and to take actions necessary and appropriate to carry out the purpose and intent of the resolution.

Summary

The U.S. Department of Housing and Urban Development (HUD) requires jurisdictions to prepare an Annual Action Plan (Action Plan) (Exhibit 1 to the Resolution) to receive Community Development Block Grant (CDBG), Home Investment Partnerships (HOME), and Emergency Solutions Grant (ESG) funding. The Annual Action Plan identifies the specific projects (Exhibit 2 to the Resolution) that will be funded during the year to help accomplish the goals established in the five-year Consolidated Plan. The Annual Action Plan must be submitted to HUD by May 15, 2022.

For FY 2022- 2023 the City's Grants Program received twenty nine (29) applications for funding from twenty four (24) agencies requesting a total of \$3,280,125.09

DISCUSSION

Background

To receive annual federal entitlement funds (CDBG, HOME, and ESG), HUD requires jurisdictions to prepare an Annual Action Plan. The Annual Action Plan identifies the specific projects and activities that will be funded during that year to help accomplish the goals established in the City's Five-Year Consolidated Plan. This plan reflects the second year of the 2020-2025 Consolidated Plan. The Annual Action Plan contains funding recommendations for the use of CDBG, HOME, and ESG funds for the upcoming program year 2022-2023. The funding recommendations proposed by the

Community Development Committee (CDC), which is an advisory body to the City Council, were unanimously approved to be provided to the City Council in May.

The City anticipates receipt of the following HUD allocations for the 2022-2023 program year:

| Funding Sources | Program Year 2020-2021 | Program Year 2021-2022 | Estimate Program Year 2022-2023 | Difference: 2021-2022 to 2022-2023 |
|--|-----------------------------------|-----------------------------------|--|---|
| Community Development Block Grant (CDBG) | \$3,427,828 | \$3,388,867 | \$3,388,867 | \$0 |
| HOME Investment Partnership Program (HOME) | \$1,593,808 | \$1,760,529 | \$1,760,529 | \$0 |
| Emergency Solutions Grant (ESG) | \$292,582 | \$292,379 | \$292,379 | \$0 |
| Total | \$5,314,218 | \$5,441,775 | \$5,441,775 | \$0 |

Community Input and Funding Process

The process of developing the Annual Action Plan began in December 2021 with the placement of a public notice in The Record notifying the public of a CDC meeting to discuss community needs and the start of the application period for CDBG and ESG funds. HOME funds are allocated to projects through a separate Notice of Funding Availability (NOFA) process. Notices were sent to over 200 agencies, organizations, interested citizens, and posted on the City’s website and social media platforms.

The deadline for submitting CDBG and ESG applications was January 24, 2022, with electronic submittal by applicants through the City’s online grant application program. An online review and score of funding requests are available through the CDC’s online grant portal.

The CDC recognizes that each agency submitting an application provides a critical service to Stockton families and individuals in need. This year, as in previous years, the City received numerous worthy requests for funding from agencies providing a variety of supportive services critical to assisting individuals and families to live independently. Each application was reviewed individually by the CDC and staff against multiple criteria including need and benefit, program evaluation, budget, alternative funding sources, community support, and prior grant management and application completeness. Staff summarized the funding requests and aggregated the review data into a spreadsheet for the CDC. Applications were organized and rated based on the following types of services provided: disabled/special needs, food, housing, medical/health, senior, youth, and capital projects. This spreadsheet included staff recommendations that served as a starting point for discussion and deliberation by the CDC. At the CDC’s March 3rd meeting, each agency that applied for funding was required to make a presentation and respond to questions from CDC members regarding their grant application.

Public notices regarding the availability of the draft Annual Action Plan began the 30-day review period for the Annual Action Plan for public input. At the time of preparation of this staff report, no comments were received.

Present Situation

FY 2022-23 Annual ACTION PLAN

The following is an overview of each of the funding sources and a summary of recommended funding for each program:

Community Development Block Grant Program (CDBG)

CDBG is a flexible program that provides funding to address a wide range of community development needs that benefit low-income residents. Cities with more than 50,000 people and counties with a population of more than 200,000 are eligible to receive this funding from the federal government. Each year, HUD determines the CDBG allocation using a formula that considers the total population, the number of persons in poverty, housing overcrowding, and the age of the housing units within the jurisdiction. Program regulations require that CDBG entitlement fund programs address one of three national objectives: (1) assisting low-income persons, (2) eliminating slum and blighted property, or (3) meeting needs to be created by a national emergency. The City must annually report to HUD how each organization receiving CDBG funding meets at least one of the three national objectives, as well as all other HUD and Office of Management and Budget (OMB) program guidelines.

HUD restricts the amount of CDBG funds a jurisdiction can allocate within a specific program area. The City may allocate up to 15 percent to public services that support operational costs and provide supportive services to low-income persons and 20 percent for administration of the program. The remaining funds are allocated for capital projects.

CDBG funds can be used for a wide range of activities, including:

- Rehabilitation of residential and commercial property
- Demolition
- Public facilities and improvements
- Economic development
- Public services

The primary eligibility requirement for each activity is that it must benefit low- and moderate-income persons. HUD defines low-and-moderate income as a household that is at or below 80 percent of the area median income (AMI), which in Stockton is an annual income of \$59,200 for a family of four.

Generally, ineligible activities include assistance for buildings or portions of buildings used for the conduct of government; general local government operating and maintenance expenses; partisan political purposes, including voter registration; equipment purchases; and new housing construction.

The total sources of funds available for the 2022-2023 program year is \$6,148,736 and includes: \$3,388,867 of new Entitlement, \$293,835 of estimated Program Income, \$1,397,794 of Successor Agency Repayment Program Income, \$1,068,240 of estimated Reprogrammed Funds.

The following is a summary of the activities recommended for funding for the 2022-2023 Program Year.

1. Housing Programs

The City has three active CDBG/HOME funded affordable housing programs:

The **Emergency Home Repair Program** is designed to assist low-income homeowners to address emergency housing problems that represent an immediate health and safety danger to the occupants. The Emergency Home Repair loans are funded out of the CDBG Revolving Loan (RL) fund, which is a separate fund where CDBG loan repayments are placed, and then reused for new loans.

The **Housing Programs** provide funds for the City’s housing rehabilitation program, down payment assistance, and support for the development of multi-family housing.

The **Homeless Support Program** was created three years ago as a source of funds to support small-scale developers to secure scattered-site housing for formerly homeless individuals. The amount of funding has been increased this year to provide additional resources.

| Housing Programs | Program Year 2021-2022 | Program Year 2022-2023 | Difference: 2021-2022 to 2022-2023 | Percentage: 2021-2022 to 2022-2023 |
|-----------------------------------|------------------------|------------------------|------------------------------------|------------------------------------|
| Emergency Repair Program (RL) | \$ 60,000 | \$ 60,000 | \$ 0 | 0% |
| Housing Rehab Program (CDBG & RL) | \$ 520,000 | \$ 338,533 | \$ 181,467 | -35% |
| Housing Program | \$1,439,372 | \$ 0 | \$1,439,372 | -100% |
| Homeless Support | \$ 350,000 | \$ 696,454 | \$ 346,454 | 99% |
| Total | \$2,369, 372 | \$1,094,987 | \$1,274,385 | -54% |

2. Economic Development Programs

The City is proposing to fund several programs to assist businesses. These include:

- **Commercial Façade Improvement Program** provides forgivable loan funds for improvements to the exterior of commercial properties.
- **Stockton Entrepreneurship Program** provides grant funding to new and existing small business service providers that focus on enhancing services for startup businesses and entrepreneurs, as well as providing small grants directly to entrepreneurs. The Stockton

Entrepreneurship Program funds will be allocated through a NOFA process. In contrast, funds from the other programs will be allocated on a first-come, first-served basis.

- **Fresh Produce Access Grant (Stocked Full of Produce)** program addresses food insecurity by offering neighborhood convenience stores grant funding to assist with necessary infrastructure upgrades to promote the sale and storage of healthier food options.
- **Micro Storefront Beautification Grant** assists commercial property and/or business owners by providing grant funding for minor storefront improvements.
- **Food Entrepreneurship & Urban Garden Support** program aims to provide grant funding for organizations that support small, local food, beverage, and urban garden entrepreneurs in Stockton.

| Economic Development Programs | Program Year 2021-2022 | Program Year 2022-2023 | Difference: 2021-2022 to 2022-2023 | Percentage: 2021-2022 to 2022-2023 |
|--|-------------------------------|-------------------------------|---|---|
| Commercial Façade Improvement Program | \$450,000 | \$175,000 | \$275,000 | -61% |
| Micro Storefront Beautification Grant | \$40,000 | \$30,000 | \$10,000 | -25% |
| Stockton Entrepreneurship Program | \$235,000 | \$200,000 | \$35,000 | -15% |
| Fresh Produce Access Grant - Stocked Full of Produce | \$60,000 | \$30,000 | \$30,000 | -50% |
| Food Entrepreneurship & Urban Garden Support | \$100,000 | \$150,000 | \$50,000 | 50% |

3. Public Service Subrecipient Support

Through the annual Notice of Funding Available process, twenty-nine (29) applications from twenty-four (24) agencies were received and requested \$2,568,155.09 in CDBG funding and an additional \$711,970 in ESG funding. Applications were submitted by many qualified and deserving organizations through an online portal (Attachment B - Grant Applications Received).

The Community Development Committee (CDC) and staff scored the applications within Neighborly, and two public meetings were held, one for agency program presentations and the other to discuss recommendations. The CDC and staff are recommending funding for fourteen (14) organizations for a total of \$758,000 in CDBG funding. The CDC and staff utilized scoring criteria in the selection of projects aligned with the 2020-2025 Consolidated Plan and primarily focused on public service activities related to homeless services, food assistance programs, literacy, services for at-risk youth, the elderly, special needs and/or disabled Stockton residents, affirmative fair housing services, and public facilities for low-income and homeless youth.

The recommendations for CDBG funding are:

| CDBG FUNDING: Subrecipient Assistance | Program Year 2021-2022 | Program Year 2022-2023 | Difference: 2021-2022 to 2022-2023 | Percentage:2021-2022 to 2022-2023 | Project Type |
|--|-------------------------------|-------------------------------|---|--|---------------------------------|
| Gospel Center Rescue Mission | \$75,000 | \$75,000 | 0 | 0% | Public Facility (Shelter rehab) |
| Tuleburg Press | \$30,000 | \$35,000 | \$5,000 | 16% | Public Service (Literacy) |
| Second Harvest Food Bank | \$30,000 | \$40,000 | \$10,000 | 33% | Public Service (Food) |
| Kelly's Angels Foundation | \$20,000 | \$15,000 | \$5,000 | -25% | Public Service (At-Risk Youth) |
| San Joaquin Fair Housing | \$154,851 | \$90,000 | \$64,851 | -42% | Fair Housing |
| Bread of Life | \$30,000 | \$45,000 | \$15,000 | 50% | Public Service (Food) |
| Child Abuse Prevention Council | \$70,000 | \$73,000 | \$3,000 | 4% | Public Services (At-Risk Youth) |
| Boys & Girls Club at Sierra Vista-Stockton | \$50,000 | \$20,000 | \$30,000 | -60% | Public Services (At-Risk Youth) |
| Children's Home of Stockton | | \$90,000 | | New Activity | Public Services (At-Risk Youth) |
| Downtown Stockton Alliance | | \$40,000 | | New Activity | Public Service (Homelessness) |
| SJC Aging and Community Services | \$15,000 | \$15,000 | \$0 | 0% | Public Service |
| Parents by Choice | | \$115,000 | | New Activity | Public Service (At-Risk Youth) |
| Uplift All Foundation | | \$55,000 | | New Activity | Public Service (Homelessness) |
| Visionary Home Builders of CA | | \$50,000 | | New Activity | Public Service |

Attachment A includes a description of all CDBG applications that were received.

4. Debt Service

In the past, the City received two Federal Section 108 loans totaling \$25.5 million. Future CDBG entitlements and/or program income were pledged as repayment sources for the loans. Loan repayment began in 2002 and will extend through 2024; projects that were funded with Section 108 loan funds include Dean DeCarli Waterfront Square, the downtown Cineplex, the Stockton Marina, Joan Darrah Promenade, Morelli Boat Launch, Bob Hope (Fox) Theatre, and Gleason Park Apartments. Increase is due to increased payment of surplus income..

| Debt Service | Program Year 2021-2022 | Program Year 2022-2023 | Difference: 2021 -2022 to 2022- 2023 | Percentage: 2021-2022 to 2022-2023 |
|------------------------------------|-----------------------------------|-----------------------------------|---|---|
| Debt Service - Section 108 Loan | \$1,885,771 | \$2,543,183 | \$657,412 | 35% |

5. CDBG Administration/ Program Delivery Costs

This category includes administration, which are the costs associated with daily operations, such as staff costs to administer the program, materials and supplies, training, and consultant services. Program Delivery includes staff costs attributed directly to projects and project delivery costs, such as obtaining title reports and appraisals.

| Program Delivery Costs | Program Year 2021-2022 | Program Year 2022-2023 | Difference: 2021-2022 to 2022-2023 | Percentage: 2021-2022 to 2022-2023 |
|-----------------------------------|-----------------------------------|-----------------------------------|---|---|
| Administration / Oversight | \$996,821 | \$1,016,099 | \$19,278 | 2% |
| Program Delivery | \$292,141 | \$350,000 | \$57,879 | 20% |

HOME Investment Partnership Program

HOME funds must be used by local governments to create affordable housing for low- and moderate-income households. HOME funds are awarded annually as a formula grant to participating jurisdictions. The Housing and Urban Development Department. (HUD) allows state and local governments to use HOME funds for grants, direct loans, loan guarantees, and other forms of credit enhancement.

HOME funds can be used for four primary types of activities: homebuyer programs, homeowner rehabilitation programs, rental housing programs, and tenant-based rental assistance. The maximum income of a household receiving HOME funds must not exceed 80 percent of AMI.

The total sources of funds available for the 2022-2023 program year is \$2,738,267 and includes: \$1,760,529 of new Entitlement, \$200,000 of estimated Program Income, and \$777,738 of Prior Year's Program Income.

HOME Administration/Loan Fund

Administration includes the general costs associated with the administration and oversight of the HOME program. A jurisdiction may spend up to ten percent of its entitlement and program income on administrative costs. Housing Program Delivery includes costs attributed to specific housing projects.

The Loan Fund sets aside HOME funds, which are available as loans for multi-family developments. The 2022-2023 HOME Loan Fund will be allocated through a NOFA process that will be issued in December 2022, with funding recommendations to be brought to the Council for final approval.

| HOME Administration | Program Year 2021-2022 | Program Year 2022-2023 | Difference: 2021-2022 to 2022-2023 | Percentage: 2021-2022 to 2022-2023 |
|----------------------------|-------------------------------|-------------------------------|---|---|
| HOME Administration | \$176,053 | \$260,000 | \$83,947 | 48% |
| Housing Program Delivery | \$100,000 | \$150,000 | \$50,000 | 50% |
| Loan Fund | \$1,320,397 | \$1,960,655 | \$640,258 | 49% |

Community Housing Development Organizations Project Assistance

HUD regulations require that 15 percent of the City's HOME allocation be reserved for affordable housing projects undertaken by Community Housing Development Organizations (CHDO), which are community-based organizations that develop affordable housing. Currently, Visionary Home Builders and STAND are the City's certified CHDOs. HUD has established requirements for CHDO certification, and the City utilizes a checklist to ensure that all the requirements are met before certifying an organization as a CHDO.

| CHDO Assistance Program | Program Year 2021-2022 | Program Year 2022-2023 | Difference: 2021-2022 to 2022-2023 | Percentage: 2021-2022 to 2022-2023 |
|--------------------------------|-------------------------------|-------------------------------|---|---|
| CHDO Set Aside | \$264,079 | \$264,079 | \$0 | 0% |

Emergency Solutions Grant Program

ESG provides funding to emergency shelters, homeless service providers, and homeless prevention and rehousing programs. Eligible activities are street outreach, emergency shelters, homelessness

prevention, and rehousing assistance. Funds may also be used to provide the required Homeless Management Information System (HMIS) and for administrative activities. The purpose of the ESG program is to assist people in securing stable, permanent housing after experiencing a housing crisis or homelessness: therefore, HUD limits the amount of a jurisdiction’s ESG grant that can be used for assistance to emergency shelters to not more than 60 percent. Additionally, the City can allocate up to 7.5 percent of the grant for program administration.

The CDC and staff reviewed the ten (10) applications that were received requesting ESG funds. The CDC and staff recommendations are shown below:

| ESG Funding | Program Year 2021-2022 Base Allocation | Program Year 2022-2023 | Difference: 2021-2022 Base to 2022-2023 | Percentage 2021-2022 to 2022-2023 |
|---|--|------------------------|---|-----------------------------------|
| Emergency Shelter Activity | | | | |
| St. Mary’s Dining Room | \$38,427 | \$62,500 | \$24,073 | 63% |
| Stockton Shelter for the Homeless | \$40,000 | \$72,500 | 32,500 | 81% |
| Ready to Work | \$15,000 | \$20,000 | \$5,000 | 33% |
| CVLHC-Homelessness Prevention/ Rapid Re-Housing | \$94,452 | \$102,500 | \$8,048 | 8% |
| CVLHC-HMIS | \$14,500 | \$14,500 | \$0 | \$0 |
| Administration | \$20,000 | \$20,658 | \$658 | 3.3% |
| Total ESG Funding | \$292,379 | \$292,658 | \$279 | 1% |

Notification

In conformance with HUD’s requirements and the City’s Citizen Participation Plan, a summary of the Annual Action Plan and a notice of the public hearing were printed in The Record on March 30, 2022, and in the Latino Times on April 9th, 2022. Each organization applying for funding was notified in writing of the CDC’s recommendation and of the date and time of this public hearing. A copy of the draft Action Plan and the draft Citizen Participation Plan is posted on the City’s website.

As part of this process, the City Council must hold a public hearing on May 3, 2022 to solicit comments from the public regarding the FY 2022-23 Annual Action Plan activities and proposed funding allocations.

FINANCIAL SUMMARY

The Annual Action Plan includes actual appropriations from HUD to the Economic Development Department's FY 2022-23 budget, namely: CDBG, HOME, and ESG. These appropriations will help in the funding of Housing Programs/Affordable Housing, Subrecipient Assistance, Economic Development Programs, and Debt Service - Section 108 Loan. These appropriations are dependent upon federal budget appropriations and receipt of funds from HUD.

To ensure compliance with the broad range of federal and local grant regulations, 20 percent of CDBG funding is projected at \$1,016,099, approximately 10 percent of the HOME allocation projected at \$260,000, and 7 percent of ESG funds projected at \$20,658 will be used to administer the grants. Administration of the CDBG, HOME, and ESG programs includes completion of environmental reviews, monitoring of Federal wage projects, disbursement of funds, contract and invoice management, and monitoring of each sub-recipient to ensure funds are expended according to the City contract, HUD, and OMB regulations.