COUNTYWIDE PRIORITY SETTING COMMITTEE PUBLIC HEARING

PROPOSED BUDGET FOR COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
AND HOME PROGRAM FUNDS FOR PROGRAM YEAR 2012-13

Thursday, March 29, 2012
7:00 p.m.

Board of Supervisors Chambers, Room 330
Marin County Civic Center
3501 Civic Center Drive, San Rafael

AGENDA

1. Welcome to New Committee Members.

2. Request for public comment on the Consolidated Plan, housing and non-housing community development needs of lower income people, and the past performance of the County's Community Development Block Grant (CDBG), HOME, and Housing Opportunities for Persons with AIDS (HOPWA) programs. [Please note that items 3 and 4 of this agenda provide for public comment on the 2012-13 Action Plan section of the Consolidated Plan, including proposed budget amounts for specific CDBG and HOME projects.]

3. Budget for 2012-13 for six local CDBG Planning Areas (Novato, San Rafael, Upper Ross Valley, Lower Ross Valley, Richardson Bay, and West Marin), reprogrammings of CDBG Planning Area funds from previous years, and use of CDBG Planning Area program income.
   A. Staff report.
   B. Public comments.
   C. Discussion and recommendations by Priority Setting Committee to Marin County Board of Supervisors for proposed use of CDBG Planning Area funds.

4. Recommendations for 2012-13 CDBG Countywide Housing allocations, reprogrammings of CDBG Countywide Housing funds from previous years, use of CDBG Countywide Housing program income, 2012-13 HOME Program allocations, reprogrammings of HOME funds from previous years, and use of HOME program income.
   A. Staff report.
   B. Public comments.
   C. Discussion and recommendations by Priority Setting Committee to Marin County Board of Supervisors for proposed use of CDBG Countywide Housing and HOME Program funds.

5. Open Time for Public Comment on Matters Not on the Agenda.

Future Hearing

May 8	Marin County Board of Supervisors Board of Supervisors Chambers Marin County Civic Center, Room 330 3501 Civic Center Drive, San Rafael	(time to be determined)

If you have questions about the public hearing, please call Roy Bateman at 473-6698 at the Marin County Community Development Agency. People using TTY devices may reach us at 473-3232 (TTY) or through the California Relay Service at 711. In consideration of persons with environmental sensitivities, please do not wear perfume or other fragrances. Sign language interpretation and translation into languages other than English are available upon request. Please call our office at 473-6279, at least three days in advance of the public hearing you want to attend, if you need language translation, a sign language interpreter, an assistive listening device, or other reasonable accommodation. Call Golden Gate Transit (455-2000, 257-4554 TDD) for transit information.

The Consolidated Plan, Annual Action Plans, Consolidated Annual Performance and Evaluation Reports, records regarding past use of Community Development Block Grant, HOME Investment Partnerships Program, and Housing Opportunities for Persons with AIDS Program funds, the Civil Rights Policy, the Residential Antidisplacement and Relocation Assistance Plan, the Nondiscrimination Policy, and program files are available for inspection at the Marin County Community Development Agency, 899 Northgate Drive, Room 408, San Rafael, California. Copies of documents are available in accessible formats upon request.

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MEMORANDUM

MARIN COUNTY COMMUNITY DEVELOPMENT AGENCY

TO: COUNTYWIDE PRIORITY SETTING COMMITTEE

FROM: Roy Bateman
Reid Thaler

SUBJECT: Recommendations for Funding Program Year 38 (2012-13) Community Development Block Grant (CDBG) Countywide Housing Proposals and HOME Program Proposals

DATE: March 23, 2012

The recommendations from Community Development Block Grant (CDBG) staff for funding CDBG Countywide Housing projects and HOME Investment Partnerships Program (HOME) projects are described below. These recommendations will be presented and considered at the Countywide Priority Setting Committee public hearing on Thursday, March 29, 2012, at 7:00 p.m., at the Board of Supervisors Chambers, Room 330, Marin County Civic Center, 3501 Civic Center Drive, San Rafael. *(Please note that this is a change from our usual location.)*

Subject to approval by the Countywide Priority Setting Committee on March 29, 2012, and by the Marin County Board of Supervisors on May 8, 2012, the funding recommendations in this memo, along with the funding recommendations adopted by the CDBG Local Area Committees, will be presented in a summary format as part of Marin County's Consolidated Plan. The Consolidated Plan serves as a consolidated planning and budget document for a variety of programs of the U.S. Department of Housing and Urban Development (HUD).

CDBG AND HOME FUNIDNG LEVELS, PROGRAM REGULATIONS, AND SPENDING DEADLINES

CDBG and HOME Funding Levels

Last year, Marin County's CDBG allocation was $1,440,542, and our HOME Program allocation was $1,084,869. For the 2012-13 program year, Marin's CDBG allocation is being cut by 19%, with an expected grant amount of $1,166,041. Marin's HOME allocation is being cut 46%, with an expected grant amount of $595,350.

To put this in perspective, if we account for inflation, the buying power of the expected 2012-13 CDBG grant is only 17.6% of the $2,427,000 CDBG allocation that Marin received in 1980.

Spending Deadlines

The ability to spend funds quickly has become increasingly important. Under pressure from Congress, the U.S. Department of Housing and Urban Development (HUD) is becoming more aggressive about taking CDBG funds away from communities that can't spend them fast enough. HUD takes sanctions if, on the annual test date in late April, a community has unspent CDBG funds that exceed 1.5 times its annual CDBG grant amount. As our CDBG grant declines, the amount of unspent funds we can hold also declines.

Administrative Expenses Likely to Exceed Limit

It is becoming more of a challenge to operate the CDBG program within the administrative allowance set by the regulations. CDBG regulations limit administrative expenses to 20% of available funds. The list below shows the trend in the percentage of CDBG funds spent for administration in recent years:

Fiscal Year	Percentage of CDBG Funds Spent for Administration
1999-2000	12.97%
2000-01	15.86%
2001-02	17.57%
2002-03	13.21%
2003-04	11.09%
2004-05	13.09%
2005-06	15.13%
2006-07	16.62%
2007-08	19.50%
2008-09	16.74%
2009-10	19.87%
2010-11	20.00%*

*The 2010-2011 entry includes $65,500 booked as an unliquidated obligation for accrued liability for future retiree health benefits, which has the effect of reducing our administrative percentage in the future.

Administrative, monitoring, and regulatory requirements from the federal government have been increasing. Congress wants greater accountability and more recordkeeping, and as HUD enhances its computer system, we are asked to feed that system more information. Changes in government accounting standards and local accounting systems require more complex work to assure that transactions are posted correctly, almost doubling our cost of accounting services. We need to contribute our share of the cost to build a reserve for retiree health benefits. The CDBG Program has cut staff hours, reducing staff from 3 to 2.5 FTE, which has reduced costs but did not affect workload. One way to reduce the administrative workload to match the reduction in staff hours would be to reduce the number of projects we have to administer. If we reduce the number of projects, we will reduce the volume of project contracts, project monitoring reports, invoice processing, and accounting so that our workload can better match our reduced staffing level.

There are certain fixed costs of basic HUD compliance, reporting, and monitoring of past projects. There are no indications that Congress or HUD will reduce the administrative requirements they impose on localities. There are also variable costs for contract administration, reporting, invoice processing, and accounting, which are largely dependent on the number and complexity of projects we fund.

The CDBG program regulations allow us to spend 20% of available grant funds on administrative costs (including staff, rent, overhead, and office expenses). In that formula, available grant funds also include revenue ("program income") received from past projects, such as repayments of loans made by the Rehabilitation Loan Program and payments in conjunction with the sale of properties that were purchased or improved with CDBG funds.

If present trends continue, we may be only a year from the point where the CDBG grant's allowance for administration won't cover the full cost of CDBG administrative expenses, depending on how much program income we receive. We estimate that, for the 2012-13 program year, the CDBG administrative expenses incurred by the County will, for the first time, exceed the grant's administrative allowance. Because the program income component of the formula varies from year to year, it is difficult to predict the administrative shortfall. We expect that the range will be somewhere between $3,000 and $49,000, with the most likely value approximately $33,000. Because the CDBG program is operated by the County, the County is solely responsible for this financial exposure and would have to absorb any excess expenses.

Implications for Public Service Projects

CDBG public services are limited to 15% of grant funds. Particularly during the recession, staff would be reluctant to suggest eliminating the public service category. There is a strong case for funding public services at the full 15% allowed, but concentrating the funds among a reduced number of projects. If we maintain public services at 15% of the grant, then reducing the number of public service projects would not change the total funds provided for public services, but would result in a higher average grant amount per project.

Reducing the Overall Number of Projects

Over the last 12 years, the number of CDBG projects funded each year has fluctuated between 36 and 52 projects per year. Last year, Marin funded 38 CDBG projects.

If we were to scale down the number of CDBG projects in proportion to the decline in funds, that would mean reducing the number of projects from 38 to 31. That may not be enough to shrink administrative expenses to the point where they will be covered by the administrative allowance provided by the grant. Administrative costs are not strictly proportional to the number of projects, partly because there is a fixed cost for meeting HUD planning and reporting requirements. In order to bring actual CDBG administrative costs in balance with the administration allowance provided by the CDBG grant, we might have to reduce the number of projects by 1½ times the grant reduction, or 28.5%. In that scenario, we would need to reduce the number of CDBG projects from 38 to 27.

At its February 16, 2012 meeting, the CDBG Countywide Priority Setting Committee set a goal of reducing the number of CDBG projects from 38 to 27, instructed County staff to make all reasonable efforts in its budget recommendations to achieve that goal, and asked all Planning Areas to join in this difficult process.

The recommendations in this report, combined with the recommendations from the CDBG planning area hearings, would result in a total of 31 CDBG projects. In some planning areas, the strongest CDBG applications were for small projects, making it difficult to reduce the number of projects. However, the drop from 38 to 31 projects still represents an 18% reduction in the number of CDBG projects, about equal to the percentage reduction in the Marin CDBG allocation.

Recommendations for CDBG Countywide Housing and HOME Program Funds

The staff recommendations for the use of CDBG Countywide Housing and HOME Program funds are summarized in the table on pages 5 and 6, and also shown in the grey columns in the table on pages 25, 26, and 27.

What if HUD Adjusts Our Grant Allocations?

HUD made a special effort to announce grant allocations early in this funding round, but there is always the possibility that HUD will announce minor changes in the County's grant amounts later in the process. To avoid the need for an additional hearing, staff recommends that the grant amounts set at the Countywide Priority Setting Committee hearing be subject to change if HUD revises our formula allocations, so that the final funding amounts will be proportional to the amounts shown in this report. Where feasible, staff would then round numbers to the nearest hundred dollars. However, no project could receive more than the amount the sponsor requested.

RECOMMENDED COMMUNITY DEVELOPMENT BLOCK GRANT COUNTYWIDE FUNDING ALLOCATIONS

PROJECT NAME	PROJECT SPONSOR	PROJECT ADDRESS	DESCRIPTION	CDBG REQUEST	Proposed Planning Area Allocation	Proposed Countywide Housing Allocation	Reprogrammed Prior Year Funds and Program Income	CDBG Grand Total
Countywide								
Fair Housing Services	Fair Housing of Marin	615 B Street, Suite #1, San Rafael	Fair housing services	$60,654	$29,248	$17,104	$0	$46,352
Rehabilitation Loan Program	Marin Housing Authority	4020 Civic Center Drive, San Rafael 94903	Staff salaries to provide residential rehabilitation loans	$160,000	$0	$0	$66,116	$66,116
Residential Accessibility Modification Program	Marin Center for Independent Living	Countywide	Housing rehabilitation for handicapped accessibility	$30,000	$9,465	$5,535	$0	$15,000
				$462,654	**$38,713**	**$22,639**	**$66,116**	**$127,468**
Lower Ross Valley								
Rehabilitation Loan Program	Marin Housing Authority	4020 Civic Center Drive, San Rafael 94903	Staff salaries to provide residential rehabilitation loans	$35,000	$26,955	$0	$0	$26,955
				$639,500	**$26,955**	**$0**	**$0**	**$26,955**
Novato								
Housing for Working Families	Homeward Bound of Marin	5394 Nave Drive, Novato 94949	Offsite improvement costs for affordable housing	$300,000	$78,000	$0	$31,879	$109,879
Lifehouse: Sunrise I-rehabilitation	Lifehouse Inc	627 Wilson Avenue, Novato 94947	Rehabilitate group home-kitchen	$23,200	$20,851	$0	$0	$20,851
Rehabilitation Loan Program	Marin Housing Authority	4020 Civic Center Drive, San Rafael 94903	Staff salaries to provide residential rehabilitation loans	$70,000	$12,896	$0	$0	$12,896
				$543,200	**$111,747**	**$0**	**$31,879**	**$143,626**
Richardson Bay								
Galilee Harbor-rehabilitation	Galilee Harbor Community Association	300 Napa Street, Sausalito 94965	Public improvements for liveaboard community	$237,300	$58,762	$0	$0	$58,762
Rehabilitation Loan Program	Marin Housing Authority	4020 Civic Center Drive, San Rafael 94903	Staff salaries to provide residential rehabilitation loans	$35,000	$15,000	$0	$0	$15,000
				$1,583,700	**$73,762**	**$0**	**$0**	**$73,762**
San Rafael								
Marinwood Plaza Housing	BRIDGE Housing Corp	121, 155, 175, 197 Marinwood Avenue,	Site acquisition	$800,000	$0	$102,236	$197,064	$299,300
Rehabilitation Loan Program	Marin Housing Authority	4020 Civic Center Drive, San Rafael	Staff salaries to provide residential	$150,000	$21,469	$0	$0	$21,469
				$1,184,600	**$21,469**	**$102,236**	**$197,064**	**$320,769**
Upper Ross Valley								
Lifehouse: San Anselmo House-rehabilitation	Lifehouse Inc	1036 Sir Francis Drake Blvd., San	Rehabilitate group home-roof	$12,500	$12,500	$0	$0	$12,500
Rehabilitation Loan Program	Marin Housing Authority	4020 Civic Center Drive, San Rafael 94903	Staff salaries to provide residential rehabilitation loans	$35,000	$16,489	$0	$0	$16,489
				$1,347,500	**$28,989**	**$0**	**$0**	**$28,989**
West Marin								
Gibson House-storage shed	Bolinas Community Land Trust	20 Wharf Road, Bolinas 94924	Purchase and install two sheds, fencing, etc.	$9,513	$9,100	$0	$0	$9,100
Inverness Valley Inn Housing	Community Land Trust Association of West Marin	13275 Sir Francis Drake Blvd., Inverness 94937	Acquisition of Inn and rehabilitation for affordable housing	$720,809	$0	$0	$60,697	$60,697
				$761,322	**$9,100**	**$0**	**$60,697**	**$69,797**
				$6,522,476	**$310,735**	**$124,875**	**$355,756**	**$791,366**

RECOMMENDED HOME PROGRAM FUNDING ALLOCATIONS

PROJECT NAME	PROJECT SPONSOR	PROJECT ADDRESS	DESCRIPTION	HOME REQUEST	Proposed 2012-13 CDBG Planning Area and Countywide Housing Allocation	Proposed 2012-13 HOME Allocation	Reprogrammed Prior Year HOME Funds and Program Income	HOME and CDBG Grand Total
Housing for Working Families	Homeward Bound of Marin	5394 Nave Drive, Novato 94949	Development costs for 3 of 15	$530,538	$109,879	$446,512	$5,000	$561,391
Inverness Valley Inn Housing *	Community Land Trust Association of West Marin	13275 Sir Francis Drake Blvd., Inverness 94937	Acquisition of Inn and rehabilitation for affordable housing	$720,809	$60,697	$89,303		$150,000
Marinwood Plaza Housing	BRIDGE Housing Corp	121, 155, 175, 197 Marinwood Ave,	Site acquisition	$800,000	$299,300	$0		$299,300
HOME Program Administration						$59,535		$59,535
				$5,772,907	$469,876	$595,350	$5,000	$1,070,226

* This project is designated as a Community Housing Development Organization (CHDO) project, as defined in the HOME regulations. The HOME Program requires that a minimum of 15% of the $595,350 grant, or $89,302.50, be spent on CHDO-sponsored projects.

<u>Equal Opportunity and Affirmative Marketing Concerns</u>

The table on page 25 lists all the applications received and the amount staff recommends for each project, as well as some additional information about the equal opportunity impact of each proposal. In view of the commitments the County has made in the Implementation Plan for its Analysis of Impediments to Fair Housing Choice, we are including information about the extent to which racial and ethnic minorities are being served by potential projects, and ratings of each applicant's affirmative marketing plans. Affirmative marketing is a process by which an organization analyzes which racial and ethnic groups are least likely to apply for its services, followed by targeted marketing efforts to reach those "least likely to apply" groups. (Please note that federal guidelines recognize Hispanic status as an ethnicity, not as a race.)

For projects which have previously received CDBG or HOME funding, we have included the percentage of clients who are racial minorities and the percentage of clients who are Hispanic, based on reports that have been previously filed by the sponsors. For new proposals, not previously funded by CDBG or HOME, we were not able to report this information, and have noted "new" in the data columns.

For all proposals, we have included a staff evaluation of the sponsor's answer to the affirmative marketing question on the CDBG application. An "A" grade indicates that the applicant analyzed which racial and ethnic groups are least likely to apply for its project, and clearly stated how they would market their project specifically to the "least likely to apply" groups. A "B" grade indicates that the applicant was responsive to the question, but was not specific enough in its analysis of which racial and ethnic groups are least likely to apply, was too general in its proposed affirmative marketing activities, or proposed weak affirmative marketing actions. A "C" grade indicates that the applicant was not responsive to the question. Because this is the first year that the answer to this question is receiving increased scrutiny, many applicants are still on a learning curve. In some cases, the quality of an applicant's response to the affirmative marketing question is very different from its actual affirmative marketing performance. It is also possible for a project to be very effective in serving a particular minority group but to be less effective in affirmatively marketing its services to others.

<u>HUD Timely Spending Guidelines</u>

Because so many CDBG projects have moved ahead more slowly than expected, Marin County has a backlog of unspent CDBG funds. As a result, we risk being in violation of the timely spending standards required by our funding agency, the U.S. Department of Housing and Urban Development (HUD). HUD implements its timely spending requirement through an annual test in late April. If, on the test date, a community has unspent funds that exceed 1.5 times its annual CDBG grant amount, HUD will designate the community as a "high-risk" grantee. HUD has also taken CDBG funds away from communities that violate the timely spending standard. The reduction of grant awards is done through an automated process, so there is no opportunity to request a waiver or extension.

Our last annual CDBG grant was $1,440,542. We are permitted to have a backlog of 1½ years' CDBG funds, which would be $2,160,813. CDBG staff have looked carefully at projected spending to be sure that we will spend at least the required amount. This year, we should be able to meet the timely spending standard without having to make any transfers of funds from one project to another.

However, timely spending is likely to be an ongoing concern, because:

- It is difficult to predict when projects, particularly large housing development and community facility projects, will be ready to proceed. As a result, funds are frequently budgeted for projects that then encounter environmental, planning, or funding issues that delay them for another year or more.
- Housing development projects need to show a large local financial commitment to compete for low income housing tax credits, but there can be a substantial time lag between the CDBG annual funding cycle and tax credit allocation rounds.
- Many large housing development projects encounter unanticipated delays in the local planning approval and environmental review process.
- Some projects obtain land from for-profit developers for less than market value, typically in conjunction with the development of a separate for-profit project. This means huge financial savings, but any delays encountered by the project's partner may also affect the CDBG project.
- Some projects are slow to move forward because the project sponsor needs time to raise additional funds before they are able to proceed.
- When our grant amount decreases, our maximum permitted unspent balance also decreases. For example, our 2012-13 grant is lower than our recent grant amounts, and the amount we will be allowed to have unspent at the annual test date in 2013 will be based on the new lower grant amount, while our unspent balances would be the result of much larger past grants.

We can expect to continue to have difficulty meeting the CDBG timely spending guideline for the next several years. In making funding recommendations, staff is giving increased weight to readiness to proceed, and we have become more aggressive about reallocating funds from slow-moving projects.

RECOMMENDATIONS FOR REPROGRAMMING PREVIOUSLY ALLOCATED CDBG COUNTYWIDE HOUSING FUNDS

At its January 1992 meeting, the CDBG Priority Setting Committee decided that unspent CDBG balances allocated to projects over two years ago should be considered for reallocation ("reprogramming") to other projects which may be in greater need of the funds. In compliance with this policy, CDBG staff have sent the required 30-day notices to all project sponsors with CDBG funds which were allocated two years ago or earlier, as well as to newer projects which have been moving slowly, so that the Committee would have the option of reprogramming these funds. Staff sent 30-day notices to three projects with CDBG Countywide Housing allocations. A more detailed analysis of each project with a balance over two years old or otherwise subject to reprogramming is presented below:

Gates Cooperative (Gates Cooperative and EAH Inc.)

2009-10	$137,239
2010-11	227,400
TOTAL	$364,639

Note that the amounts listed in the table above are limited to the CDBG allocations for the Gates Cooperative from the Countywide Housing component of CDBG. There are also allocations for the Gates Cooperative from the Richardson Bay component of CDBG. The combined total of CDBG funds being held for the Gates Cooperative from the Richardson Bay and Countywide Housing components is $695,616.

The Gates Cooperative is a liveaboard low-income community located within Waldo Point Harbor, just north of Sausalito. CDBG funds are being held for use by Gates Cooperative residents for rehabilitation of individual boats to bring them up to code standards so they will qualify to remain in the new Waldo Point Harbor project. A very lengthy planning approval process for Waldo Point Harbor has been completed, documents to formalize affordability restrictions are close to completion, and rehabilitation of the Gates Cooperative boats could begin this year.

For many years, Gates Cooperative residents have been worried that the cost to bring their boats up to code standards would far exceed their ability to pay, even with the assistance provided by CDBG and the Marin Community Foundation. Now that the County has begun inspecting the boats, it is becoming apparent that the scope of the required rehabilitation will be substantially smaller than had been feared. While it is too early to be sure, it now seems possible that the accumulated grant funds may be sufficient to complete the required rehabilitation. The large amount of funds being held for the Gates Cooperative makes it more difficult to meet HUD's annual timely spending test (see page 7), and as our annual CDBG grant declines, the amount of unspent funds that HUD permits the County to hold is reduced. The implementation of the rehabilitation of the Gates Cooperative boats will rely on the services provided by the Housing Authority's Rehabilitation Loan Program. With the recent decline in the County's annual CDBG allocation, it has become more difficult to fund the Rehabilitation Loan Program. Therefore, staff recommends that a small portion of the CDBG allocation for the Gates Cooperative be reprogrammed to:

Rehabilitation Loan Program	$66,116

In January 2010, we shifted a $250,000 CDBG commitment from the Gates Cooperative to the Fireside Housing and $100,000 from the Gates Cooperative to San Rafael Curb Cuts, partly to meet a HUD timely spending deadline, but also to do our part to bring the Fireside out of financial default. There was an understanding that efforts would be made to restore the "borrowed" funds to the Gates Cooperative over two funding cycles. In the 2010 round of CDBG funding, we restored $21,200 to the Gates Cooperative from the Richardson Bay Planning Area, and $227,400 from the Countywide Housing component, leaving an additional $101,400 that would still need to be provided in order to restore the Gates Cooperative to its 2009 funding level. The recommended reprogramming would further decrease the amount being held for the Gates Cooperative. As the boat inspections proceed, more information will be available about the scope of rehabilitation needed and the financial needs of the members of the Gates Cooperative. Given the long commitment of the CDBG Program to the Gates Cooperative, staff recommends that the financial needs of the Gates Cooperative be given careful consideration in next year's CDBG allocations.

<u>MCIL Housing Accessibility Modification Program (Marin Center for Independent Living)</u>
2009-10 $18,114

The Marin Center for Independent Living uses CDBG funds for minor remodeling projects that make housing accessible to lower-income residents with impaired mobility. (See page 18 for a more complete description of this project.) As of December 2011, there was an unspent balance of $18,114 from their 2009-10 combined grant allocation from the Novato Planning Area, the San Rafael Planning Area, and Countywide Housing funds. MCIL continues to utilize its CDBG funds, and the unspent 2009-10 balance has been reduced to $6,928. Staff recommends that the remaining CDBG allocation be maintained for this project.

<u>The Redwoods (Community Church Retirement Center)</u>
2011-12 $36,422

The Redwoods is a highly regarded senior housing project with many levels of care. The Redwoods includes 150 independent living apartments, 108 residential care units, 26 personal care units, and 58 units in a skilled nursing center. Because it combines independent living and licensed care units, the Redwoods is able to care for seniors even if they become too frail to live on their own. The complex includes a dining room, library, computer center, convenience store, an area for gardening, and space for a wide range of activities. The Redwoods is firmly committed to maintaining a mixed-income community through the use of Section 8 vouchers for 60 of its independent living apartments and through its own internal subsidy program.

CDBG funds were budgeted last year for rehabilitation of the independent living apartments, which were constructed in 1972 and are in need of updating and utility infrastructure improvements. This year, The Redwoods has refined its planning and determined that its independent living apartments would not meet the CDBG requirement that at least 51% of the units be occupied by low-income households at rents that meet the CDBG affordable rent standard. Therefore, The Redwoods has relinquished its CDBG allocation. CDBG staff recommends that the CDBG Countywide Housing funds be reprogrammed to:

Marinwood Plaza Housing	$36,422

At its March 14, 2012 meeting, the Richardson Bay CDBG Local Area Committee agreed that, if The Redwoods determines that its project would not meet the requirements of the CDBG program, its $17,889 Richardson Bay 2007-08 CDBG allocation would be reprogrammed to:

Galilee Harbor	$17,889

Now that The Redwoods has relinquished its CDBG allocation, these funds will be reprogrammed to Galilee Harbor.

<u>Unprogrammed CDBG Funds</u>

The 19% cut in Marin's CDBG allocation and the 46% cut in Marin's HOME allocation severely limit our ability to fund major housing projects. There is a pool of CDBG funds which has accumulated in the budget from years when administrative expenses were less than the budgeted amount, and from years when we intentionally budgeted funds for uncertain costs of compliance with HUD regulations, particularly the regulations that mandate relocation benefits for households displaced by HUD-funded activities. Staff recommends that 70% of these unprogrammed funds be designated for projects, as follows:

Housing for Working Families (Homeward Bound of Marin)	$31,879
Inverness Valley Inn	60,697
Marinwood Plaza Housing	157,424
TOTAL	$250,000

RECOMMENDATIONS FOR ALLOCATION OF CDBG COUNTYWIDE HOUSING PROGRAM INCOME

If the CDBG program receives revenue from a completed project, this amount is considered program income, which must be made available to fund new CDBG activities. When CDBG funds are used towards acquisition or major rehabilitation of real estate, a deed of trust or a CDBG lien agreement is usually recorded on the property. The Rehabilitation Loan Program, funded by CDBG, uses a standard Promissory Note and Deed of Trust to secure the loans it makes to homeowners. Loans made by the Rehabilitation Loan Program carry a fixed interest rate, which is stated in the loan documents. For other CDBG projects, we generally use a CDBG lien agreement, which is triggered if the property is ever sold or if its use is ever changed, but which never requires payment of principal or interest if the property remains in the same ownership and use. The standard CDBG lien agreement is for a stated percentage of the value of the property, set at the percentage of the project cost contributed by CDBG, so that, if the lien is triggered, the implicit interest rate on the CDBG funds is the rate at which the property has appreciated. In the past year, two projects, the Rehabilitation Loan Program and Rotary Valley Senior Housing, have generated CDBG program income.

Rotary Valley Senior Housing (BRIDGE Housing Corporation and Rotary Valley Associates)

In 1996, the County of Marin provided $577,001 in CDBG funds for the development of the Rotary Valley Senior Housing project in Lucas Valley. The CDBG assistance was provided in the form of a loan at 3% interest, but with interest payments restricted to surplus revenue. In April 2011, the project made a $3,860 interest payment to the CDBG program. Because the loan consisted of both CDBG San Rafael Planning Area funds and CDBG Countywide Housing funds, the loan payments must be split between the San Rafael and Countywide components of the CDBG program. Staff of the City of San Rafael has asked us to allocate the City's $642 share to the City's Public Facilities Accessibility Improvements Program. CDBG staff is recommending that the $3,218 Countywide Housing share be allocated to:

Marinwood Plaza Housing	$3,218

Rehabilitation Loan Program (Marin County Housing Authority)

The Rehabilitation Loan Program makes loans to eligible homeowners and nonprofit organizations for rehabilitation of single-family houses, including mobile homes, group homes, and houseboats. (See page 17.) In the past, revenue from monthly loan payments and repaid loans has been deposited in the Rehabilitation Loan Program's Revolving Loan Fund and then used to make additional loans. Staff recommends that this procedure continue to be followed. The amount of program income generated by the Rehabilitation Loan Program is volatile and difficult to predict. During the 2010-11 program year (July 1, 2010 to June 30, 2011), the Rehabilitation Loan Program generated $279,477 in program income. For the 2011-12 program year (July 1, 2011 to June 30, 2012), we expect that this program will generate approximately $300,000 in program income. For the 2012-13 program year (July 1, 2012 to June 30, 2013), we expect that this program will generate approximately $350,000 in program income.

RECOMMENDATION FOR REPROGRAMMING PREVIOUSLY ALLOCATED HOME FUNDS

At its January 1992 meeting, the CDBG Priority Setting Committee decided that unspent CDBG balances allocated to projects over two years ago should be considered for reallocation ("reprogramming") to other projects which may be in greater need of the funds. Applying this policy to HOME projects, every year CDBG staff sends the required 30-day notices to all project sponsors with HOME funds which were allocated two years ago or earlier, as well as to newer projects which have been moving slowly, so that the Committee would have the option of reprogramming these funds. The federal regulations that govern the HOME Program require that HOME funds be committed to projects within two years and be spent within five years. Marin could lose any funding that does not meet these deadlines. There are no HOME projects with unspent balances that are more than two years old, and therefore no HOME reprogrammings are being recommended.

RECOMMENDATION FOR ALLOCATION OF HOME PROGRAM INCOME

The Marin Housing Authority has been implementing the American Dream Downpayment Initiative (ADDI), a segment of the HOME Program which provides supplemental financing for low-income homebuyers. In October 2011, a recent homebuyer repaid a $5,000 portion of their ADDI loan, and the Marin Housing Authority returned the $5,000 to the County for re-use in the HOME Program. Staff recommends that this HOME program income be allocated to:

Housing for Working Families (Homeward Bound of Marin)	$5,000

PROJECT REVIEW: DESCRIPTIONS OF PROPOSED COMMUNITY DEVELOPMENT BLOCK GRANT COUNTYWIDE HOUSING PROJECTS

1. Fair Housing Program (Fair Housing of Marin)

Funding is recommended to enable the Fair Housing Program to continue its fair housing counseling services for people seeking housing who may be victims of discrimination. Their services include counseling victims of housing discrimination, investigating and referring cases to federal and state enforcement agencies, monitoring filed complaints, conducting training seminars for the housing industry, and presenting educational programs in high schools.

From time to time, the Fair Housing Program runs audits to determine the extent of discrimination in the Marin rental housing market. Audits conducted by the Program found that an apartment-hunting household with children can expect to encounter discrimination from 37% of Marin landlords, an African-American can expect to encounter discrimination from 33% of Marin landlords, a Latino can expect to encounter discrimination from 31% of Marin landlords, a person with a physical disability can expect to encounter discrimination from 28% of Marin landlords, and a person with a disabling condition that requires a personal care attendant can expect differential treatment from 37% of Marin landlords.

Examples of discriminatory practices include:

- Telling only the white applicants about all available units.
- Not returning calls to callers who sound as if they might be Latino or African-American, while returning calls to Caucasian-sounding callers.
- Showing fewer or less desirable units to Latino applicants.
- Quoting higher rents or security deposits to African-American applicants.
- Offering application forms to couples without children, but providing application forms to families with children only if they specifically ask.
- Refusing to rent to families with children, restricting families to the ground floor, or establishing rules so restrictive for children that families with children are discouraged from living in a complex.
- Not allowing a disabled tenant a reasonable accommodation or modification as required by fair housing laws.

The Fair Housing Program is a valuable community resource, helping to educate landlords and neighbors about the fair housing laws and helping to maintain and encourage a healthy diversity of population in Marin. The proposed funding for Fair Housing will pay for staff to provide community education and outreach concerning fair housing laws and services, to recruit and train fair housing testers, to monitor discrimination in the housing market, to investigate and verify claims of alleged discrimination, to counsel victims of housing discrimination, and to pursue fair housing cases in court. During the past program year, the Program handled 1,014 inquiries and processed 158 housing discrimination complaints. In Marin, 70% of the fair housing complaints are filed by people with disabilities. Last year, Fair Housing of Marin assisted 34 disabled clients with requests for accessibility accommodations. With proceeds from a lawsuit settlement, Fair Housing of Marin established a fund to make grants for accessibility improvements. Fair Housing of Marin holds an annual fair housing poster contest for Marin schoolchildren, and also offers a human rights storytelling program to local schools. The Fair Housing Program also provides training to landlords, sponsoring seven "Fair Housing Law and Practice" seminars last year. Fair Housing of Marin has also become involved in emerging issues, such as monitoring the use of discriminatory wording in internet advertising for rental housing, and following up with the advertisers to change their wording. CDBG regulations require that the County take affirmative action to further fair housing, and providing CDBG funding for the Fair Housing Program is a part of meeting that obligation.

The Novato City Council and the San Rafael City Council have assumed some of the CDBG project selection functions that were previously performed by subcommittees of the CDBG Priority Setting Committee. (See page 23 for details.) Both the Novato and San Rafael City Councils have allocated a share of their CDBG funds for the Fair Housing Program. Combining the $17,104 recommended in this report with the $10,976 allocated by the Novato City Council and the $18,272 allocated by the San Rafael City Council, the CDBG support for the Fair Housing Program totals $46,352, the same amount as last year.

Equal Opportunity Analysis: Racial minorities are represented among the beneficiaries of this program in proportion to their proportion of the Marin population. Hispanics are very well represented compared to their proportion of the Marin population. The sponsor's affirmative marketing proposal is excellent (rated A).

2. <u>Housing for Working Families (Homeward Bound of Marin)</u>

Homeward Bound proposes to build 15 small two-bedroom rental cottages on the site of the former Henry Ohlhoff House substance abuse treatment center in Novato. The proposed cottages will serve formerly homeless families who have graduated from Homeward Bound's homeless shelters and transitional housing programs and are actively engaged in employment or education. Homeward Bound operates a range of homeless shelters and transitional housing in Marin County and has found that families who do well in its programs and are taking steps to increase their incomes still have difficulty finding apartments they can afford in Marin County. These families often find themselves stuck in a program they have outgrown because they can't find an affordable apartment in the community, or they are forced to leave the County in order to find an apartment they can afford. The proposed housing would help address the needs of this group, and thereby free up space in shelters and transitional housing programs. The proposed housing will be permanent affordable housing, with no specific time limit on occupancy. However, because the units will be very small, approximately 600 square feet, the expectation is that the residents will want to improve their employment situations and move into larger rental units as soon as their finances permit. Homeward Bound intends to serve households at 30% to 50% of median income (extremely low income and low income), with rents as low as $550 per month. Rents that low will be possible only if Homeward Bound can obtain grant funding to cover the entire cost of development, so they will not have an ongoing cost for debt service.

Equal Opportunity Analysis: The demographic profile of the clients of Homeward Bound's Transitional Housing Program, which will be the referral source for the tenants at this new project, is 36% racial minorities and 37% Hispanics. The proposed site is not in an area that meets the HUD definition of "minority concentrated." Assuming that the demographics of the new project will be similar to Homeward Bound's existing Transitional Housing Program, racial minorities and Hispanics will be very well represented among the participants in the new program. The sponsor's affirmative marketing proposal is excellent (rated A).

3. <u>Inverness Valley Inn (Community Land Trust Association of West Marin (CLAM) and Suburban Alternatives Land Trust (SALT))</u>

The Inverness Valley Inn is a 20-unit motel located in Inverness. The Community Land Trust Association of West Marin (CLAM) and the Suburban Alternatives Land Trust (SALT) are collaborating on a proposal to purchase the Inn and convert it into permanent affordable rental housing. CLAM, a West Marin-based nonprofit, has over 260 members. CLAM qualifies as a community housing development organization (CHDO) under the regulations of the HOME Program. CLAM owns four properties, with a total of 9 rental units, in the Point Reyes Station area. SALT, affiliated with Northbay Family Homes, brings real estate development experience to this partnership. The Inn is well-designed and generally in good condition. The motel rooms vary in size, but most have high peaked ceilings, kitchenettes, and plenty of windows. Proposed rehabilitation includes replacing the heaters and upgrading the kitchenettes with larger sinks and appliances. The 12 units constructed in 1962 are suitable for conversion into studio apartments. Eight units built in 2002 are larger and could be converted into one-bedroom apartments. There is also the possibility of combining existing motel rooms to create larger apartments. The facility has a mound septic system that was installed in 2004. The Coastal Commission restricts conversion of visitor service facilities to other uses, so it is expected that the project sponsors will need at least a year to obtain planning approvals. During that period, CDBG staff expects that the project sponsors will seek additional sources of funding and also apply for an additional round of CDBG and HOME funds.

Equal Opportunity Analysis: The sponsors' affirmative marketing proposal is excellent (rated A). The site is not located in an area of minority concentration and has potential for improving community diversity.

4. Marinwood Plaza Housing (BRIDGE Housing Corporation)

BRIDGE Housing Corporation proposes to build up to 70 units of affordable family rental housing on this 5-acre site, which includes an existing neighborhood shopping center. Much of the shopping center is vacant, but a grocery store recently opened in the middle of the property. The grocery store would remain at its present location and under its current ownership. BRIDGE is under contract to purchase 3 ½ acres of the property, to the north and south of the grocery. BRIDGE plans to demolish a mostly vacant portion of the shopping center, on the southern portion of the site, and replace it with 70 units of affordable rental housing. Additional retail space and up to 30 units of market-rate housing are planned for the northern end of the site. The BRIDGE proposal is consistent with the Marinwood Village Guiding Principles, which call for a mixed use development including a grocery, additional retail uses, and housing. The recommended CDBG funding could be used towards the cost of site acquisition. The project sponsor will need at least a year to obtain planning approvals, which will allow time to obtain additional funding. Given the scale of the proposal, CDBG staff expects that the project sponsor will apply for additional CDBG and HOME funding in future years.

Equal Opportunity Analysis: The sponsor's affirmative marketing proposal is responsive (rated B). The site is not located in an area of minority concentration and has excellent potential for improving neighborhood diversity.

5. Rehabilitation Loan Program (Marin County Housing Authority)

There is an ongoing need for rehabilitation loans for low income homeowners throughout Marin. Over the past thirty-six years, the Housing Authority has made 697 rehabilitation loans totaling over $12 million throughout the county. The program operates on a countywide basis. Loans are made available to owners of single-family homes to correct substandard housing conditions, to eliminate health and safety hazards, to create second units within an existing house where permitted by local ordinance, for rehabilitation of houseboats docked at approved berths, and for mobile homes located within a mobile home park. Loans range from $5,000 to a usual limit of $35,000, with an average of $25,000. Loan terms are set according to the borrower's situation. The program offers amortized loans, interest-only loans, and deferred payment loans (with no payments due until the property is transferred). New loans are being made at a 5% interest rate.

A combination of CDBG Planning Area funds and CDBG Countywide Housing funds is recommended towards the cost of staff and other operating expenses of the Rehabilitation Loan Program. Funds have been allocated for this program by five of the six CDBG local planning areas. The program's loans are funded from its revolving loan fund. Revenue from monthly loan payments and repaid loans is expected to total $350,000 in program income for the 2012-13 program year, and will be added to the revolving loan fund and used to make additional loans. (See page 12.)

Group Homes
Seventeen years ago, in response to a new local policy limiting the number of CDBG projects, the Housing Authority expanded the scope of this program to include nonprofit-operated group homes serving special populations. The program offers group homes deferred payment loans at 3% interest, with no payments due until the use or ownership of the house changes. This has enabled the CDBG program to assist the rehabilitation of group homes while reducing the administrative burden on the CDBG office. Involvement of the Housing Authority as intermediary also gives group homes the benefit of the knowledge of the rehabilitation experts on the staff of the Housing Authority.

Gates Cooperative
The Gates Cooperative is a liveaboard houseboat community within Waldo Point Harbor. After Waldo Point Harbor receives County permits, staff recommends that the Rehabilitation Loan Program help Gates Cooperative members upgrade their boats to meet code standards so that they can qualify for berths in the new Waldo Point Harbor. Staff of the Rehabilitation Loan Program have been working closely with the Gates Cooperative and EAH, Inc. to carefully plan the details of houseboat rehabilitation for the Gates Cooperative. Once permits have been obtained for the Gates Cooperative, CDBG staff recommends that the Rehabilitation Loan Program make a major shift in its activities so that it can devote most of its efforts to the rehabilitation of Gates houseboats. During the period of Gates rehabilitation, the Program's activity with single-family houses and group homes would be limited. The Rehabilitation Loan Program funds would be supplemented by CDBG funds allocated to the Gates Cooperative for rehabilitation.

Equal Opportunity Analysis: Racial and ethnic minorities are under-represented among the beneficiaries of this program, partly because racial and ethnic minorities are under-represented among homeowners and the elderly. A large fraction of the program's beneficiaries are elderly homeowners. However, the sponsor's affirmative marketing proposal is excellent (rated A).

6. Residential Accessibility Modification Program (Marin Center for Independent Living (MCIL))

Through its Housing Accessibility Modification Program, the Marin Center for Independent Living provides technical assistance and minor remodeling to make housing accessible to lower-income residents with impaired mobility. In many cases, only minor improvements, such as installation of a ramp or grab bars, are needed to meet the accessibility needs of a disabled tenant. If needed, the program can also make more substantial kitchen and bathroom modifications. This program has expanded the supply of accessible rental housing in Marin. In many cases, when a tenant vacates a modified apartment, a new tenant with a physical disability is selected to occupy the unit, and the accessibility modifications continue to be used. This program is a cost-effective way to allow people with disabilities to live with the dignity that comes from independence and self-sufficiency. MCIL staff operate the program with a high level of efficiency and effectiveness. In a recent case, MCIL used CDBG funds to install ramps and make bathroom modifications allowing a frail elderly couple to remain living independently. This is a good example of how a small amount of CDBG funding can modify a housing unit for handicapped accessibility. In many cases, modest accessibility improvement projects can avoid premature placement in a nursing home.

The Novato City Council and the San Rafael City Council have assumed some of the CDBG project selection functions that were previously performed by subcommittees of the CDBG Priority Setting Committee. (See page 23 for details.) Both the Novato and San Rafael City Councils have allocated a share of their CDBG funds for the MCIL Housing Accessibility Modification Program. Combining the $5,535 recommended in this report with the $3,552 allocated by the Novato City Council and the $5,913 allocated by the San Rafael City Council, the CDBG support for this program totals $15,000.

Equal Opportunity Analysis: Racial minorities are well represented among the beneficiaries of this program, but Hispanics are under-represented. The sponsor's affirmative marketing proposal is responsive (rated B).

All of the projects being recommended for CDBG Countywide Housing funds are being recommended for less than the requested amounts, and there was not enough money available to provide many worthy proposals with any funds at all. Marin's local policy to reduce the number of CDBG projects was a factor in limiting the number of projects recommended by staff.

In our recommendations for CDBG Countywide Housing projects, we considered the needs of ongoing countywide programs--the Fair Housing Program, the Residential Housing Accessibility Modification Program, and the Rehabilitation Loan Program--which would be seriously disrupted if the flow of CDBG funds ceased.

THE HOME PROGRAM

The HOME Program, administered by the U.S. Department of Housing and Urban Development (HUD), was established by the Cranston-Gonzalez National Affordable Housing Act of 1990 as a new source of federal funds for affordable housing. Eligible HOME activities include housing rehabilitation, housing construction, site acquisition, acquisition of existing housing, and tenant-based rental assistance. As with the Community Development Block Grant (CDBG) Program, HOME funds are granted to the County of Marin on behalf of both the County and all the cities in Marin, so projects throughout Marin County are eligible for funding. HOME-assisted rental units must serve people below 60% of area median income ($64,080 for a family of four), with one-fifth of the HOME-assisted rental units reaching households below 50% of area median income ($53,400 for a family of four). HOME-assisted homeownership units can serve people at up to 80% of median income ($85,450 for a family of four).

Unlike other HUD programs, HOME requires the active participation of community-based organizations which both represent and are controlled by low-income community residents. The regulations require that localities set aside 15% of HOME funds for Community Housing Development Organization (CHDO) projects. The HOME regulations define a CHDO as a nonprofit organization with a third of its board consisting of low income people, residents of low income neighborhoods, and/or elected representatives of low income neighborhood organizations. Since our 2012-13 HOME grant is expected to be $595,350, the 15% set-aside for CHDOs would be $89,303. This requirement would be met by the recommended HOME allocation for the Inverness Valley Inn.

Implementation of the program and ongoing monitoring of funded projects requires a substantial amount of staff time. The County's contractual obligation is to monitor projects for as long as we require them to remain affordable, and the County's policy has been to exceed HUD's minimum requirements for the term of affordability. The HOME program regulations allow up to 10% of the grant to be used for administrative expenses. Staff is recommending that 10% of this year's HOME grant be set aside for administrative expenses.

Staff screened the ten HOME applications for eligibility under the HOME regulations and prioritized them according to each project's financial feasibility, whether it addresses a critical Marin County housing need, whether it can fulfill the regulatory requirements of the HOME Program, the likelihood that the project would meet HOME timing requirements, and the consequences of delaying the project due to lack of funds.

The HOME program sets deadlines for spending funds, and the County will automatically lose funds if the deadlines are not met. HOME funds must be committed by contract to projects within two years. Localities are not permitted to commit funds until they reasonably expect that construction or rehabilitation will begin within twelve months. (If the project involves acquisition, we must reasonably expect that acquisition will occur within six months.) All funds must be spent within five years. If either deadline is not met, the federal government can cancel that portion of the community's HOME allocation.

As a result, we must restrict HOME funds to projects which appear to be able to commence quickly. Staff evaluated each project's readiness to move forward based on whether the sponsor had site control, local planning approvals (if needed), and commitments for the balance of the funding needed for the project. In cases where proposals have not yet reached these milestones, staff considered how much time the proposals would need to reach a point where they could proceed with acquisition or construction. Staff also considered the potential consequences to each project of delaying HOME funding for a year.

The CDBG program is a more appropriate funding source for smaller projects, for non-traditional housing projects which do not easily fit into the categories established by the HOME regulations, and for project sponsors which have not yet assembled the financing needed for them to commit to long-term affordability.

When a project sponsor accepts HOME financing, it must agree to have an affordability restriction recorded on the property. The HOME affordability restriction, mandated by HUD, may be removed only upon foreclosure. Even if the sponsor repays the HOME subsidy, the affordability restriction cannot be released. If a project sponsor might eventually want to end the project and sell the property, the HOME affordability restriction would persist and make it impossible to sell the property for full unrestricted market value. The CDBG program is more forgiving--in most cases, the project sponsor may remove the CDBG restriction simply by making a payment to the County. The amount of the payment would generally be the current fair market value of the property multiplied by the percentage of the initial project cost contributed by CDBG. Therefore, smaller projects and projects with an uncertain future are more suitably funded by CDBG rather than HOME.

PROJECT REVIEW: DESCRIPTIONS OF PROPOSED HOME PROJECTS

1. Housing for Working Families (Homeward Bound of Marin)

   (See project description on page 15.)

2. Inverness Valley Inn (Community Land Trust Association of West Marin (CLAM) and Suburban Alternatives Land Trust (SALT))

   (See project description on page 16.)

Not surprisingly, the 46% reduction in Marin's HOME allocation this year has doubled the competition for HOME funds. This year, HOME applications totaled $5.8 million, almost ten times the $595,350 grant amount. Last year, the HOME applications totaled about five times the grant amount. Staff is recommending funding for only two HOME projects, and both were also recommended for CDBG funds.

HOME funds are best used for a small number of large projects that are ready to proceed. All HOME applicants were encouraged to apply to both the HOME and CDBG programs for the amount needed. In the staff recommendations this year, we focused the HOME funds on one project (Inverness Valley Inn) which could qualify for the CHDO set-aside, and another project (Housing for Working Families--Homeward Bound of Marin) which has a limited need for CDBG funds. (HUD regulations prohibit the use of CDBG funds for most forms of housing construction, and use of CDBG funds for site acquisition is not allowed if the acquisition occurs before completion of an environmental review or if the CDBG funds are granted after title transfers. Both of these regulations are problematic for the Homeward Bound proposal.)

Staff did not recommend HOME funds for eight of the ten projects for which HOME funds were sought. There simply weren't enough HOME funds this year to provide meaningful support to more than a few projects. Staff gave priority to the projects which would have the greatest impact in creating new housing opportunities and which were the most ready to proceed.

Staff would like to note the efforts of the Christ Lutheran Church in Fairfax to make a site available for the development of approximately 40 units of affordable senior rental housing. With encouragement from the Town of Fairfax, the church has been working on a site plan that would include the church, a small private school, and the senior housing. Because the church already owns the land, its Peace Village project is relieved from any immediate pressure to purchase the land. The church is in the process of selecting a nonprofit developer for the housing. Although staff did not recommend its proposal for CDBG or HOME funding this year, we would encourage the church to apply again next year.

APPENDIX 1

CDBG FUNDING ALLOCATION SYSTEM FOR CITIES OVER 50,000 POPULATION

Since 1974, the County of Marin and the cities in Marin County have jointly received Community Development Block Grant (CDBG) funds as an "urban county." Originally, Marin County qualified for CDBG formula funding because all eleven cities signed cooperation agreements to participate with the County government in a single joint countywide CDBG program. This gave Marin a total population sufficient to qualify as an "urban county" under the CDBG regulations, enabling Marin to receive annual CDBG formula allocations.

Before 2000, interjurisdictional committees made recommendations for the allocation of all CDBG funds, except in West Marin (where there are no cities). In 1999, the City of San Rafael was certified as having a population that exceeds the 50,000 threshold that would make it eligible to choose to receive CDBG funds independent of the rest of the County. The City of San Rafael agreed to remain part of the CDBG "urban county," but asked that the CDBG allocation system be modified to create more stability in the level of CDBG funding allocated to projects in San Rafael, and to give the City Council more control over the use of CDBG funds in San Rafael. In the long run, it is important to retain cities in the CDBG "urban county" to maximize the likelihood that Marin County will qualify for formula funds from HUD programs that may be created in the future.[1] At the request of the City of San Rafael, the Fiscal Year 2000-02 City-County Cooperation Agreements that established the system for distribution of CDBG funds included several changes to increase the authority of any city that reaches 50,000 population over its share of the County's CDBG allocation. (These changes have also been included in the City-County Cooperation Agreements for subsequent periods.)

In November 2006, we received notification from HUD that the City of Novato had reached 50,000 population. This gave Novato the option to switch to the system that has been used by San Rafael. The 2008-09 CDBG funding cycle was the first where the Novato City Council assumed the expanded role for cities over 50,000. In the 2010-11 funding cycle, the Novato City Council expanded its role to include the public service component of the Novato CDBG allocation.

The table on the next page summarizes the changes in the CDBG allocation system adopted in 1999, as they are now implemented by San Rafael and Novato.

In 2012, the Priority Setting Committee and most of its local subcommittees were expanded to add representatives of racial and ethnic minorities and people with disabilities.

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[1] For example, while the American Dream Downpayment Initiative was technically a component of the HOME Program, it used a separate funding formula. The 2003 formula was set so that if it resulted in an allocation below $50,000, the community got nothing. Marin's Fiscal Year 2003 allocation was $65,799. If HUD treated San Rafael and the rest of Marin as two separate entities, it is likely that the 2003 formula would have assigned each of the two entities less than $50,000, so Marin would have received nothing. Similarly, when HUD announced its new Homelessness Prevention Program in 2009, Marin County received a $659,106 formula allocation. The minimum formula allocation was $500,000, so the likelihood is that if Marin were split into three separate entities, Marin would not have received any formula funds from this new special program.

Past System	System for Cities Over 50,000 Population
Recommendations for the allocation of the housing, capital, and public service components of a Planning Area's funds were made by a Local Area Committee, consisting of one representative from the City and one County representative, with advice from County staff. All funding allocations were subject to final approval by the Marin County Board of Supervisors.	Recommendations for the allocation of the housing, capital, and public service components of the Planning Area's funds may be made by the City Council, with advice from City staff. (San Rafael has chosen to maintain the old system for the allocation of the public service component of the Planning Area's funds, so that public service allocations are made by a Local Area Committee, including one representative from the City and one County representative, with advice from County staff.) All funding allocations continue to be subject to final approval by the Marin County Board of Supervisors.
At least 30% of each Planning Area's funds must be spent for housing. Traditionally, each Planning Area has spent the maximum allowed by HUD regulations for public service projects.	The City Council determines how much of its Planning Area allocation will be spent for housing, capital, and public service projects, subject only to the limits set by HUD regulations for public service projects.
CDBG Countywide Housing funds were allocated to housing projects by the Countywide Priority Setting Committee, without regard to location, with advice from County staff.	The City's proportional share of CDBG Countywide Housing funds has been added to (and become part of) the City's Planning Area funds, and is allocated to housing and non-housing projects by the City Council, with advice from City staff.
Unincorporated areas within the City's zip codes were part of its Planning Area.	No change.
Recommendations for the allocation of HOME Program funds were made by the Countywide Priority Setting Committee, without regard to location, with advice from County staff. All funding allocations were subject to final approval by the Marin County Board of Supervisors.	No change. The City retains a seat on the Countywide Priority Setting Committee.
The Board of Supervisors holds the final hearing on use of all CDBG and HOME funds.	No change.

CDBG Housing Proposals
2012-13

	PROJECT NAME	If previously funded, data reported: % Racial Minorities	% Hispanic	Quality of Affirmative Marketing Plan (A-Excellent; B-Responsive; C-Non-Responsive)	CDBG REQUEST	Proposed Planning Area Allocation	Proposed Countywide Housing Allocation	Proposed Reprogrammed Prior Year Funds and Program Income	CDBG Grand Total
	Marin County, 2010 Census	14%	16%						
	Countywide								
CH - 1	Emergency Shelter Rehabilitation	65%	40%	B	$212,000	$0			$0
CH - 2	Fair Housing Services	14%	25%	A	$60,654	$29,248	$17,104		$46,352
CH - 3	Rehabilitation Loan Program	10%	0%	A	$160,000	$0		$66,116	$66,116
CH - 4	Residential Accessibility Modification Program	25%	0%	B	$30,000	$9,465	$5,535		$15,000
					$462,654	**$38,713**	**$22,639**	**$66,116**	**$127,468**
	Lower Ross Valley								
LH - 1	Buckelew: Drake House	13%	0%	A	$600,000	$0			$0
LH - 2	Lifehouse: Corte Madera House	0%	0%	B	$4,500	$0			$0
LH - 3	Rehabilitation Loan Program	10%	0%	A	$35,000	$26,955			$26,955
					$639,500	**$26,955**	**$0**	**$0**	**$26,955**
	Novato								
NH - 1	Housing for Working Families	New	New	A	$300,000	$78,000		$31,879	$109,879
NH - 2	Lifehouse: Sunrise I-rehabilitation	0%	0%	B	$23,200	$20,851			$20,851
NH - 3	Neighborhood Revitalization Program	New	New	B	$150,000	$0			$0
NH - 4	Rehabilitation Loan Program	10%	0%	A	$70,000	$12,896			$12,896
					$543,200	**$111,747**	**$0**	**$31,879**	**$143,626**
	Richardson Bay								
RH - 1	Camino Alto Apartments-rehabilitation	13%	0%	A	$55,000				$0
RH - 2	Galilee Harbor-rehabilitation	34%	11%	B	$237,300	$58,762			$58,762
RH - 3	Gates Cooperative	7%	0%	B	$256,400				$0
RH - 4	Rehabilitation Loan Program	10%	0%	A	$35,000	$15,000			$15,000
RH - 5	The Redwoods-Rehabilitation	0%	4%	B	$1,000,000				$0
					$1,583,700	**$73,762**	**$0**	**$0**	**$73,762**

	PROJECT NAME	If previously funded, data reported: % Racial Minorities	% Hispanic	Quality of Affirmative Marketing Plan (A-Excellent; B-Responsive; C-Non-Responsive)	CDBG REQUEST	Proposed Planning Area Allocation	Proposed Countywide Housing Allocation	Proposed Reprogrammed Prior Year Funds and Program Income	CDBG Grand Total
	Marin County, 2010 Census	14%	16%						
	San Rafael								
SH - 1	Del Ganado Apartments-rehabilitation	New	New	C	$50,000				$0
SH - 2	Fairwinds Apartments	New	New	B	$100,000				$0
SH - 3	Lifehouse: Nova House-rehabilitation	17%	17%	B	$11,800				$0
SH - 4	Lifehouse: Sunrise II-rehabilitation	20%	40%	B	$12,800				$0
SH - 5	Marinwood Plaza Housing	New	New	B	$800,000		$102,236	$197,064	$299,300
SH - 6	Neighborhood Revitalization Program	New	New	B	$60,000				$0
SH - 7	Rehabilitation Loan Program	10%	0%	A	$150,000	$21,469			$21,469
					$1,184,600	$21,469	$102,236	$197,064	$320,769
	Upper Ross Valley								
UH - 1	Lifehouse: San Anselmo House-rehabilitation	0%	0%	B	$12,500	$12,500			$12,500
UH - 2	Peace Village	New	New	A	$1,300,000				$0
UH - 3	Rehabilitation Loan Program	10%	0%	A	$35,000	$16,489			$16,489
					$1,347,500	$28,989	$0	$0	$28,989
	West Marin								
WH - 1	Gibson House-storage shed	0%	0%	A	$9,513	$9,100			$9,100
WH - 2	Inverness Valley Inn Housing	New	New	A	$720,809	$0		$60,697	$60,697
WH - 3	Rehabilitation Loan Program	10%	0%	A	$15,000	$0			$0
WH - 4	Stockstill House	0%	0%	B	$16,000	$0			$0
					$761,322	$9,100	$0	$60,697	$69,797
				CDBG TOTAL	$6,522,476	$310,735	$124,875	$355,756	$791,366

HOME Housing Proposals
2012-13

	PROJECT NAME	If previously funded, data reported: % Racial Minorities	% Hispanic	Quality of Affirmative Marketing Plan (A-Excellent; B-Responsive; C-Non-Responsive)	HOME REQUEST	Proposed 2012-13 CDBG Planning Area and Countywide Housing Allocation	Proposed 2012-13 HOME Allocation	Reprogrammed Prior Year HOME Funds and Program Income	HOME and CDBG Grand Total
	Marin County, 2010 Census	14%	16%						
H - 1	Buckelew: Drake House	New	New	A	$600,000	$0			$0
H - 2	Camino Alto Apartments-rehabilitation	13%	0%	A	$55,000	$0			$0
H - 3	Emergency Shelter Rehabilitation	65%	40%	B	$212,000	$0			$0
H - 4	Fairwinds Apartments	New	New	B	$100,000	$0			$0
H - 5	Rental Assistance	New	New	B	$454,560	$0			$0
H - 6	Housing for Working Families	New	New	A	$530,538	$109,879	**$446,512**	**$5,000**	$561,391
H - 7	Inverness Valley Inn Housing *	New	New	A	$720,809	$60,697	**$89,303**		$150,000
H - 8	Marinwood Plaza Housing	New	New	B	$800,000	$299,300			$299,300
H - 9	Peace Village	New	New	A	$1,300,000	$0			$0
H - 10	The Redwoods-Rehabilitation	0%	4%	B	$1,000,000	$0			$0
	HOME Program Administration						**$59,535**		$59,535
				HOME TOTAL	**$5,772,907**	**$469,876**	**$595,350**	**$5,000**	**$1,070,226**

* This project is designated as a Community Housing Development Organization (CHDO) project, as defined in the HOME regulations. The HOME Program requires that a minimum of 15% of the $595,350 grant, or $89,302.50, be spent on CHDO-sponsored projects.