



**STAFF REPORT**

TO: RICHARDSON BAY LOCAL AREA COMMITTEE

FROM: Roy Bateman, Community Development Manager

SUBJECT: Recommendations for Funding 2015-16  
Community Development Block Grant (CDBG) Proposals

DATE: February 19, 2015

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The recommendations from Community Development Block Grant staff for funding projects in the Richardson Bay Planning Area are listed below. These recommendations will be presented and considered at the Richardson Bay Planning Area public hearing on Wednesday, February 25, 2015, at 7:00 p.m., at the Marguerita C. Johnson Senior Center, 640 Drake Avenue, Marin City.

**CDBG and HOME Grant Amounts**

In recent years, delays in setting the federal budget have become so routine that the U.S. Department of Housing and Urban Development (HUD) issued formal guidelines for localities on how to prepare CDBG and HOME Investment Partnerships Program (HOME) grant applications when their funding allocations are not known before the filing deadline.

This year, HUD announced our CDBG and HOME grant amounts before the start of Marin's public hearing process! Marin's actual grant amounts are affected by changes in the overall program funding in the federal budget, and by changes in how Marin ranks on demographic factors (population, poverty, overcrowded housing, etc.) in comparison with other grantees. Our 2015-16 CDBG allocation is \$1,295,584, and our HOME allocation is \$566,224. This represents a 0.9% increase in CDBG and a 10.4% decrease in HOME.

**Trends in the CDBG and HOME Programs**

Nationally, the most important long-term trend in the CDBG and HOME Programs is the decline in funding. Less money means less impact, and unless other funding sources fill the gap, it means fewer and/or smaller projects. As grants decline and personnel costs

increase, we are likely to see a gap between actual administrative costs and the amount HUD allows for administration.

Meanwhile, HUD is requiring increased documentation for our projects, partly because Congress is divided on whether CDBG and HOME are worthy of support, and partly because it's easy to add additional data fields to HUD's computer system. HUD is increasingly using its computer system as a management and monitoring tool, making it increasingly risky to fund projects that might not quickly generate beneficiary statistics. The increased emphasis on accountability creates disincentives for risk-taking. In a system where HUD demands repayment of funds advanced for projects that fail, it becomes riskier to fund an inexperienced project sponsor or to provide the first dollars for a promising new idea.

Locally, there has been an increasing emphasis on the extent to which racial and ethnic minorities are served by CDBG and HOME projects, and the quality of each project sponsor's affirmative marketing plan. (Affirmative marketing is a process by which an organization determines 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.)

### **Spending Deadlines**

The ability to spend funds quickly has become increasingly important. Under pressure from Congress, 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. We are typically very close to the allowable limit of unspent funds. If our CDBG grant declines, the amount of unspent funds we are permitted to hold also declines. Therefore, we should be careful to target CDBG funds to projects that are ready to proceed.

### **CDBG Administrative Expenses Likely to Exceed Limit**

It is becoming more of a challenge to operate the Marin 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 Marin CDBG funds spent for administration in recent years:

Fiscal Year	Percentage of Marin 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%*
2011-12	18.74%
2012-13	22.69%**
2013-14	18.22%

\*The 2010-11 entry includes \$65,500 booked as an unliquidated obligation for accrued liability for future retiree health benefits, which will have the effect of reducing our administrative percentage at some point in the future.

\*\*For 2012-13, because the amount we could bill HUD was limited to 20%, the County general fund absorbed the remaining 2.69% (\$39,116).

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. One way to reduce the administrative workload 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 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. Because the CDBG program is operated by the County, the County is solely responsible for the risk that administrative costs may exceed the grant’s allowance for administration.

### **Reducing the Overall Number of Projects**

Over the last 14 years, the number of CDBG projects funded each year has fluctuated between 30 and 52 projects per year. In the 2011-12 program year, Marin funded 37 CDBG projects, consisting of 14 housing projects, 5 capital projects, and 18 public service projects. In the 2012-13 program year, Marin funded 31 CDBG projects, consisting of 9 housing projects, 5 capital projects, and 17 public service projects. In the 2013-14 program year, Marin funded 32 CDBG projects, consisting of 12 housing projects, 4 capital projects, and 16 public service projects. Last year, Marin funded 33 CDBG projects, consisting of 13 housing projects, 5 capital projects, and 15 public service projects.

In order to bring actual CDBG administrative costs closer to balance with the administrative allowance provided by the CDBG grant, staff recommends that we attempt to stabilize, and perhaps reduce, the number of projects in the 2015-16 program year. 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.

### **Recommendations for the Richardson Bay Planning Area**

The staff recommendations for the use of CDBG Richardson Bay Planning Area funds are shown in the table on page 7.

This year, HUD announced our CDBG grant amount before our annual public hearing process began. (See page 1 of this report.) However, there is a small chance that HUD will change our grant amount, or that the calculations in our local allocation formula will need minor revisions. To avoid the need for an additional hearing, staff recommends that if there is a change in the grant allocation, the grant amounts set at the Richardson Bay Local Area Hearing be subject to revision. At that time, staff would recalculate the amounts available for each planning area, and for each activity category. To the extent that cuts are needed or additional funds are available, staff would adjust the preliminary project grant amounts, so that the final funding amounts will be proportional to the amounts approved at the Richardson Bay hearing. Where feasible, staff would then round numbers to the nearest hundred dollars. If additional funds are available, the adjustment would be limited so that no project receives more than the amount the sponsor requested.

The table on page 7 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 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, we did not 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. 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 other demographic groups.

**RICHARDSON BAY 2015-16**

TYPE	PROJECT #	PROJECT NAME	If previously funded project, data reported:		Grade on Affirmative Marketing Plan	APPLICANT'S REQUEST	Recommended New Funds
			% Racial Minorities	% Hispanic			
Housing	RH - 1	Galilee Harbor	13%	11%	A	\$139,000	\$13,000
	RH - 2	Gates Cooperative	8%	5%	B	\$279,700	\$25,000
	RH - 3	Rehabilitation Loan Program	17%	13%	A	\$55,000	\$10,343
							<b>\$473,700</b>
Capital	RC - 1	Marin City Health & Wellness Center-Rehabilitation	NEW	NEW	C	\$10,000	\$10,000
	RC - 2	Marin Learning Center, Playground Rehabilitation	31%	55%	B	\$30,000	
						<b>\$40,000</b>	<b>\$10,000</b>
Public Services	RS - 1	Family Law Legal Services	17%	39%	A	\$2,500	
	RS - 2	HIV/AIDS Benefits Counseling	NEW	NEW	B	\$1,000	
	RS - 3	Marin Brain Injury Network Services	6%	4%	A	\$4,000	
	RS - 4	Marin City CX3 Healthy Food Access	NEW	NEW	C	\$25,000	
	RS - 5	Marin City HWC Quality of Life Road Trip	NEW	NEW	C	\$10,000	
	RS - 6	Marin City Parent Academy	NEW	NEW	C	\$25,000	
	RS - 7	Marin Learning Center, Therapeutic Services	31%	55%	B	\$20,000	\$15,561
	RS - 8	Performing Stars	100%	44%	C	\$15,000	\$15,000
	RS - 9	Senior Access Scholarships	8%	4%	A	\$6,000	
	RS - 10	Wise Choices for Girls	NEW	NEW	B	\$16,000	
						<b>\$124,500</b>	<b>\$30,561</b>
Marin County, 2010 Census			14%	16%	<b>TOTAL</b>	<b>\$638,200</b>	<b>\$88,904</b>
<b>Total available for Planning Area</b>							<b>\$88,904</b>
<b>Maximum funds available for Public Services</b>							<b>\$30,561</b>
<b>Minimum funds required for Housing (County policy requires each planning area to allocate at least 30% of its funds for housing.)</b>							<b>\$26,671</b>

## **HOUSING PROJECTS**

### 1. Galilee Harbor (Galilee Harbor Community Association)

The Galilee Harbor Community Association is seeking funding towards completion of a major project which has enabled the Galilee Harbor liveaboard community to relocate its 38 member boats to a permanent marina site on the Sausalito waterfront. Over 90% of the residents of Galilee Harbor are low income, and this project represents a unique opportunity to preserve existing affordable housing while retaining the character of the working waterfront. In November 1995, the Bay Conservation and Development Commission (BCDC) approved a settlement agreement with Galilee Harbor which has enabled the project to move forward. The terms of its settlement agreement with BCDC require Galilee Harbor to complete public improvements (including a parking area, public access paths, landscaping, docks, a wheelchair access ramp, and utility hook-ups).

In 1997, with CDBG assistance, Galilee Harbor purchased the final portion of its site. In 1999, Galilee Harbor completed dredging and excavation in preparation for the installation of new docks. In 2001, toxic remediation was completed, and a portion of the parking lot for residents was constructed. In 2003, new docks and sewer connections were built. In 2004, many boats were connected to the sewer, bathrooms were completed, an irrigation system was installed, benches and picnic tables were installed in the public access area, and historic pilot houses from the Issaquah Ferry were moved to the entrance to the main Galilee Harbor dock. In 2005, concrete piles were removed from the dinghy dock area. In 2006, Galilee buried the electric service for the harbor. In 2007, Galilee made landscaping improvements, encased sewer boxes, replaced the wood floors in the pilot houses, installed a ramp at the dinghy dock, established a revolving loan fund to help residents pay for hook-ups to the sewer system, replaced the roof of the building where the showers, toilets, and laundry machines are located, and added railings to the handicapped access ramp at that building. In 2011, Galilee installed a floating wheelchair ramp for dock access. In 2012, Galilee expanded its restroom facility to meet current wheelchair accessibility standards. In 2013, Galilee Harbor completed a trash and recycling storage building.

In 2014, the plan was to install asphalt paving to permanently cap a shorefront area which had been contaminated with diesel fuel, hydraulic fluid, and heavy metals over the years. The asphalt paving was to replace a temporary covering consisting of a plastic liner covered with soil. The Department of Toxic Substances Control determined that the existing cap would be adequate to meet state environmental standards on a permanent basis. This has resulted in cost savings for Galilee.



The recommended new funding, combined with the unspent balance of previous CDBG allocations for Galilee, would be used towards the next phase of improvements, including paving the parking lot, resurfacing the public access paths, installing a security system, improvements to metal pilings for the docks, and costs to begin the process of renewing Galilee Harbor's BCDC permits. The existing BCDC permits are set to expire in 2016. The parking lot paving is required by BCDC.

By preventing the displacement of existing lower income residents, Galilee Harbor will retain economic diversity and the historic working waterfront in an area with extremely high housing costs.

Equal Opportunity Analysis: Racial minorities are represented among the beneficiaries of this program at about the same level as their proportion of the Marin population. Hispanics are under-represented compared to their proportion of the Marin population. The sponsor's affirmative marketing proposal is excellent (rated A).

2. Gates Cooperative (EAH Housing and Marin Housing Authority)

The Gates Cooperative is a liveaboard low-income community located within Waldo Point Harbor, just north of Sausalito. A very lengthy planning approval process for Waldo Point Harbor has been completed, new docks are under construction, and rehabilitation of the Gates Cooperative boats is underway. In order to qualify for berths in the new Waldo Point Harbor, Gates Cooperative members must upgrade their boats to meet health and safety standards. EAH Housing, the Marin Housing Authority, and the Gates Cooperative are collaborating on the rehabilitation and, in some cases, rebuilding, of the 38 Gates Cooperative houseboats. The goal is to bring all 38 boats into compliance with health and safety standards by spring 2016. At that point, the Gates Cooperative will become responsible for rent for all 38 berths, whether or not all the boats meet the standard for occupancy. The recommended funds would be used towards staff expenses and for funding rehabilitation loans. Loans for Gates Cooperative boats will have a 3% interest rate.

Equal Opportunity Analysis: Racial minorities and Hispanics are under-represented compared to their proportion of the Marin population. The sponsor's affirmative marketing proposal is responsive (rated B).

3. Rehabilitation Loan Program (Marin Housing Authority)

There is an ongoing need for rehabilitation loans for lower income homeowners in Marin County. Over the past thirty-nine years, the Housing Authority has made

716 rehabilitation loans totaling over \$12.9 million. 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. New 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.

Twenty years ago, in response to a local policy limiting the number of CDBG projects, the Housing Authority expanded the scope of this program to include non-profit-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 continue 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.

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, a liveaboard low-income community located within Waldo Point Harbor. (See previous page.)

Annual CDBG funding allocations are used towards the cost of staff and other operating expenses of the Rehabilitation Loan Program. The program's loans are funded from a revolving loan fund. Revenue from monthly loan payments and repaid loans is expected to total \$350,000 in program income for the 2015-16 program year, and will be added to the revolving loan fund and used to make additional loans.

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. The sponsor's affirmative marketing proposal is excellent (rated A).

## CAPITAL PROJECT

1. Marin City Health and Wellness Center, Rehabilitation (Marin City Health and Wellness Center)

The Marin City Health and Wellness Center is a community-based health center which provides medical, dental, and behavioral health services in a comfortable, non-institutional setting. As a federally-qualified health center with a focus on residents of public housing and people who are homeless, the Center puts a special emphasis on encouraging people to receive needed care and improve their health status. The Center takes a holistic approach to helping its clients improve their quality of life.

The Center is currently located in a small building, leased from the Marin City Community Services District (CSD), adjacent to the Manzanita Recreation Center. The Center has been so successful in attracting clients and adding services that it has outgrown its current location. The Center is moving its administrative offices to a portable building nearby, which will provide some relief from the overcrowding.

CDBG staff recommends a modest amount of funding to renovate the building currently occupied by the Marin City Health and Wellness Center. The proposed improvements include replacing carpet with linoleum (which can be more effectively cleaned), adding built-in cabinets and countertops, installing window coverings for better patient privacy, and improving the waiting room space.

CDBG regulations require that any building renovated with CDBG funds remain in an eligible use for at least five years, or the CDBG funds must be repaid to HUD. It is possible that the Center might move to another Marin City location before the five year term has expired, but if this happens, the next use for the building is likely to be a CSD-sponsored community center or recreation facility, which would also be a CDBG-eligible use.

Equal Opportunity Analysis: Although this program is effectively serving a high-need minority population living in public housing, the sponsor's affirmative marketing proposal was deemed to be non-responsive (rated C).

Because of limited funds, staff did not recommend funding to replace wood chips with a rubberized safety surface at the Marin Learning Center playground this year. However, staff would encourage Community Action Marin to apply next year for this project.

## **PUBLIC SERVICE PROJECTS**

1. Marin Learning Center (Community Action Marin)

The Marin Learning Center provides child care, along with therapeutic services that address issues of social and emotional development. The Center continues to develop its therapeutic component for children and their families, as well as its focus on kindergarten school readiness, social and emotional development, cultural and environmental awareness, and community building. The therapeutic component at the Marin Learning Center is based on a play therapy room model and is staffed by a licensed therapist. The focus of the play room is to assist children in developing social and emotional skills and to create a climate of mutual respect, caring, and trust. Another goal is to help children develop a vocabulary for their feelings. The therapist meets with children individually, runs small groups for the children that focus on socialization skills, meets with parents, and trains staff how to work with children who are difficult and acting out. The Learning Center serves low income and working families.

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

2. Performing Stars of Marin

Performing Stars of Marin is dedicated to building the self-esteem of low income children through activities in the performing, visual, and literary arts as well as providing access to summer day camp programs and field trips. This program has proven to be a valuable tool for building self-confidence in participating children. Staff recommends funding towards staff for this program.

Equal Opportunity Analysis: Racial minorities are very well represented among the beneficiaries of this program. Hispanics are very well represented compared to their proportion of the Marin population. Although this program is based in Marin City, it has a history of outreach to the Canal neighborhood in San Rafael, which has a large Hispanic concentration. The sponsor's affirmative marketing proposal is non-responsive (rated C).

Staff recommends that we continue to fund public services at the maximum level permitted by the CDBG regulations (15% of the grant, plus 15% of any income returned to the program), but that we continue to limit the number of projects. By limiting the number of projects, we help to limit CDBG administrative expenses without diminishing the amount of public service funding. Limiting the number of public services also results in a higher average grant in the public service category.

In the Richardson Bay Planning Area, staff is recommending two public service projects for funding this year, the same number that was funded last year. Both of the recommended public services in the Richardson Bay Planning Area are located in Marin City.

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