



STAFF REPORT

TO: SAN RAFAEL LOCAL AREA COMMITTEE

FROM: Roy Bateman, Community Development Manager

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

DATE: March 2, 2015

The recommendations from Community Development Block Grant staff for funding public service projects in the San Rafael Planning Area are listed below. These recommendations will be presented and considered at the San Rafael Planning Area public hearing on Monday, March 9, 2015, at 7:00 p.m., at the Albert J. Boro Community Center (Pickleweed Park Community Center), Room 8 (Art Room), 50 Canal Street, San Rafael.

Please note that the hearing on CDBG housing and capital funding in the San Rafael Planning Area will be held by the San Rafael City Council on Monday, March 16. San Rafael city staff will make recommendations for that hearing. Their recommendations will be posted at <http://www.cityofsanrafael.org/meetings/>.

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 San Rafael Planning Area Public Service Projects

The staff recommendations for the use of CDBG San Rafael Planning Area public service funds are shown in the table on page 7. (Note that the San Rafael City Council will hold a public hearing on March 16, 2015 on the use of CDBG San Rafael Planning Area capital and housing funds. City staff will make recommendations for the use of those funds.)

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 San Rafael 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 San Rafael 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.

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TYPE	PROJECT #	PROJECT NAME	If previously funded project, data reported:		Grade on Affirmative Marketing Plan	APPLICANT'S REQUEST	Recommended New Funds
			% Racial Minorities	% Hispanic			
					A-Excellent; B-Responsive; C-Non-Responsive		
Public Services	SS - 1	Family Law Legal Services	17%	39%	A	\$7,000	\$7,000
	SS - 2	HIV/AIDS Benefits Counseling	NEW	NEW	B	\$2,500	
	SS - 3	Marin Brain Injury Network Services	6%	4%	A	\$12,000	\$7,330
	SS - 4	Middle School Program	0%	100%	C	\$15,000	\$15,000
	SS - 5	Performing Stars	100%	44%	C	\$5,000	\$2,700
	SS - 6	Pickleweed Children's Center	8%	92%	B	\$51,742	\$16,552
	SS - 7	Senior Access Scholarships	8%	4%	A	\$20,000	\$7,330
	SS - 8	Wise Choices for Girls	NEW	NEW	B	\$1,000	
						\$114,242	\$55,912
Marin County, 2010 Census			14%	16%			
Funds available for Public Services based on 15% of Planning Area allocation							\$55,912

PUBLIC SERVICE PROJECTS

1. **Family Law Legal Services (Family and Children’s Law Center)**

The Family and Children’s Law Center provides low-cost legal assistance to people who are unable to afford private legal services and need help with family law issues including divorce, domestic violence, spousal and child support, and child custody. Fees are on a sliding scale basis according to income. CDBG funds would be used towards staff salaries. CDBG staff feels that the expenditure of CDBG funds for this program is an extremely cost-effective way of providing substantial long-term emotional and financial benefits to families.

Equal Opportunity Analysis: Hispanic clients are very well-represented among the beneficiaries of this program. The sponsor’s affirmative marketing proposal is excellent (rated A).

2. **Marin Brain Injury Network (Brain Injury Network of the Bay Area)**

The Brain Injury Network of the Bay Area (formerly known as the Marin Brain Injury Network) is the only rehabilitative non-profit center in Marin offering services and support groups for people with traumatic head injuries. Their services include day treatment, which provides cognitive and vocational rehabilitation for its brain injured clients. It is extremely difficult to fund services for people affected by traumatic brain injury, since no long-term source of government funding exists to provide rehabilitation and vocational services for people with this disability. In 1997, the Network received certification from the California Department of Rehabilitation, which has reimbursed the Network for some of the services it provides. However, because these funds are available only for specific clients on a short-term basis, they do not provide the Network with a reliable steady stream of funding for long-term clients. The Network is not currently receiving any funding from the Department of Rehabilitation. CDBG funds are recommended for staff salaries.

Equal Opportunity Analysis: Racial minorities and Hispanics are under-represented among the beneficiaries of this program. The sponsor’s affirmative marketing proposal is excellent (rated A).

3. **Middle School Program (University Prep) (Canal Alliance)**

Canal Alliance’s Middle School Program is a rigorous program supporting youth academically, emotionally, and socially. The program works with middle school youth, including many who are immigrants or children of immigrants, and whose first language is Spanish. The program identifies students who are academic underachievers with C or

D averages, and helps to prepare them for higher education. Students chosen for this program agree to attend sessions which meet two hours a day, four days a week, for ten months of the year. The program offers two sections--one class is a combination of 6th and 7th grade students, and the other class is 8th grade students. Students attend daily and receive at least two hours of homework or academic time each day. Those in need of extra support stay an extra hour, often with academic tutors, to receive additional support on Tuesdays, Thursdays, or Fridays, depending on the subject area. The program emphasizes developing academic skills, leadership abilities, and goal setting by working collectively in groups and engaging in community projects. Students in the program are guided by a family case manager who addresses issues which may impede success.

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

4. 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).

5. Pickleweed Children's Center, Child Care Staff (City of San Rafael)

The City of San Rafael operates a preschool program at the Pickleweed Children's Center, in coordination with the nearby Bahia Vista School. The Center serves low-income families in the East San Rafael area. This area has the largest number of low-income families and the highest concentration of children in San Rafael. The program operates from August to June, with morning and afternoon sessions for different groups of preschoolers. The program currently serves 48 pre-kindergartners in separate morning and afternoon programs. Staff recommends that CDBG funds be used for salaries for preschool staff.

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

6. Senior Access

Senior Access benefits frail elderly people and handicapped adults, who, because of their memory loss, are unable to gain access to and utilize existing community resources designed for the more independent elderly. This day program includes expressive arts, word games, exercise, and field trips. The program also provides respite, support, and counseling for family members who serve as caregivers. CDBG funds will be used for scholarships for clients who have incomes substantially below the CDBG income limits. This project has been funded through the CDBG program since 1982, and staff recommends continued funding for this program.

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 the elderly. Stigmatization based on disability is an issue for all racial and ethnic groups, affecting utilization of this service. The sponsor's affirmative marketing proposal is excellent (rated A).

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 San Rafael Planning Area, staff is recommending six public service projects for funding this year, the same number funded last year. Four of the six recommended public services in the San Rafael Planning Area are multi-area projects that staff is also recommending for funding in at least one other planning area.

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