



922 Machin Avenue
Novato, CA 94945
(415) 899-8900
FAX (415) 899-8213
www.novato.org

STAFF REPORT

DATE: January 24, 2017
TO: City Council
FROM: Hans Grunt, Senior Planner
PRESENTER: Hans Grunt, Senior Planner
SUBJECT: **COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
FUNDING RECOMMENDATIONS FOR FY 2017-18**

REQUEST

Consider adopting a resolution recommending Community Development Block Grant (CDBG) funding for the 2017-18 fiscal year to the Marin County Board of Supervisors for the Novato Planning Area.

RECOMMENDATION

Adopt a resolution recommending CDBG funding for fiscal year 2017-18 to the Marin County Board of Supervisors for the Novato Planning Area.

DISCUSSION

The Community Development Block Grant (CDBG) program is a federally-funded program of the U.S. Department of Housing and Urban Development (HUD) that provides funding for housing, community facilities, and human services. In Novato, examples of CDBG-funded projects have included site acquisition for transitional housing, development of affordable housing, rehabilitation of child care centers, and a wide range of public services. The funds are divided into three activity categories consisting of: 1) housing, 2) capital projects, and 3) public services. By Federal regulation at least 85% of the funds must be spent on housing and capital projects, and up to 15% may be sent on public services. The Council has the option to adjust the public service percentage on an annual basis. The Council could choose to allocate 0% of the CDBG allocation to public services. Historically, 15% has been allocated towards public services.

In 2011, the City signed a Cooperation Agreement with Marin County regarding the management of the CDBG program. Under this Agreement, Marin County is divided into six local planning areas. All cities except for San Rafael and Novato are part of a Local Area Committee consisting of the County Supervisor from that area and a City and Town Council member from each of the cities and towns within that area. These local area committees work

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with County staff to make recommendations to the Countywide Priority Setting Committee. Due to the fact that Novato has a population of over 50,000 residents, under the cooperation agreement, the City may choose to assume responsibilities for making its own recommendations for funding projects in the Novato Planning Area (consisting of the City and the surrounding unincorporated areas) to the Countywide Priority Setting Committee. On September 22, 2009 the City Council elected to assume responsibility for all CDBG applications in the Novato Planning Area. After the City Council makes its recommendations they are considered by the Countywide Priority Setting Committee. Next the Countywide Priority Setting Committee makes recommendations to the Board of Supervisors which has final approval authority prior to sending the recommendations to HUD. For this funding cycle, City staff worked closely with the County's Community Development Agency staff to interview applicants for recommended funding from Novato.

CDBG Funding Update - Federal

Funds for Marin's 2017-18 CDBG program come from the federal budget for Fiscal Year 2017, which runs from October 1, 2017 to September 30, 2018. This year, Marin County's CDBG allocation is estimated at \$1,302,255, the same grant amount as last year's and some program income received by the County. Of this total, Novato's allocation would be \$225,494. Although some Novato projects have unspent balances of CDBG funds, most are making progress and their funds are not recommended for reallocation this year.

COUNTYWIDE HOUSING PROJECTS

Three projects described below applied for a total of \$405,000 in Countywide Housing funding. These three projects that applied in the Countywide Housing category serve the entire county. Their total funding requests per jurisdiction represent the amounts they are seeking from the entire County. The recommended amounts for funding for each project constitute the City's calculated "fair share" using the same demographic formula that HUD uses to determine Marin County's funding allocation. The amounts, derived by County staff for Novato, total \$90,198.

<u>Fair Housing Services (Fair Housing Advocates of Northern California)</u>	<u>\$16,576</u>
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Fair Housing of Marin counsels those who suspect that they may be victims of housing discrimination, investigates potential complaints, mediates settlements where appropriate, refers cases to federal and state enforcement agencies, helps people with disabilities with requests for reasonable accommodations, conducts training for landlords, provides community education on fair housing laws, and presents educational programs in public schools.

<u>Rehabilitation Loan Program (Marin Housing)</u>	<u>\$61,782</u>
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This program, operated by the Marin Housing Authority, provides low-income homeowners with loans to correct substandard housing conditions, to eliminate health and safety hazards, and to create second units within an existing house where permitted by local ordinance. The program is open to owners of single-family homes, mobile homes, and houseboats. 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. 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 2016-17 program year, and will be added to the revolving loan fund and used to make additional loans.

Domestic Violence Emergency Shelter (Center for Domestic Peace) \$11,840

The Center for Domestic Peace is a domestic violence shelter located in Marin County at an undisclosed location. The Center has a long-standing relationship with the County of Marin and has been the recipient of federal funding for a number of years. The funding request for 2017-18 is to add two new beds at their facility. The Center for Domestic Peace accepts women and families from all across Marin County and markets their services very effectively. Staff recommends the Center for Domestic Peace be funded for this project that expands on their services.

NOVATO HOUSING AND CAPITAL PROJECTS

There were three applications for housing and capital funding from the Novato Planning Area, requesting a total of \$154,500. Staff is recommending two of these projects.

With the proposed public service allocation of \$41,479 discussed below, the City would have \$184,015 to devote to housing and capital projects, including those funded as Countywide Housing projects.

Evaluation Guidelines

The City Council adopted preferences in 2007 giving greater consideration to Housing and Capital projects that:

- (a) Are more "project ready" such as obtaining site control, land use entitlements or secured financing.
- (b) Are City of Novato initiated.
- (c) Have shown a history of acceptable past performance of past grants.
- (d) Can expend the funds in a timely fashion.

Recommended for Funding

Staff is recommending that two of the three Novato planning area housing and capital projects described below receive a total of \$93,817 in CDBG monies:

Sunrise I House (Lifehouse) \$0

Lifehouse provides housing opportunities to adults with developmental disabilities in Marin County. Lifehouse is applying for funding at their Novato house location in the amount of \$30,250 to remove overgrowth and trees on their property. The Novato Fire Department has asked the agency to clear out the property due to the fire hazard created from the overgrowth conditions. No repair or rehabilitation will actually occur to the livable structure itself. Staff requests that the applicant explore other funding and volunteer resources to address this need. Because of other more urgent funding needs, Staff recommends against funding this project for the 2017-18 Fiscal Year

North Bay Children's Center

\$60,000

The North Bay Children's Center provides child care to 119 children at its C Street location. Over 75% of the children served are from low-income families. The facility is a collection of portable buildings, some of which are in need of significant repairs. The North Bay Children's Center is requesting \$80,000 in funding under the CDBG program to renovate their facility, add new classrooms, and expand their Garden of Eatin' program, to grow fresh produce and use it in the centers programs. The expansion of the facility will allow for more children to benefit from programs and services that support healthy eating, lifestyles and learning. Staff recommends that North Bay Children's Center receive CDBG funding for the 2017-18 Fiscal Year.

Preschool Playground (Novato YMCA)

\$33,817

The Novato YMCA operates preschools on Novato elementary school campuses. The YMCA program is closely linked to the schools, and helps to prepare local children for success in elementary school and beyond. The program encourages creativity, self-esteem, and self-expression. Over 70% of the children enrolled in the program are from Latino families. Last year, they received CDBG funds to replace the playground equipment at Loma Verde School. This year they are applying for additional funds to cover the cost of the installation of new playground equipment at the other three (3) YMCA operated preschools; Hamilton, Lu Sutton, and Olive. Staff recommends funding for the Novato YMCA Preschool for the 2017-18 Fiscal Year under capital funding.

PUBLIC SERVICE PROJECTS

As stated previously, based on County estimates, the City is expected to receive an allocation of approximately \$225,494 for 2017-18. A maximum of 15% of available CDBG funds may be applied to public services. Novato's share of the amount the entire Marin County CDBG program can spend on public services is \$41,479. A total of nine applications for public service funding were filed, and their requests total \$333,721. Staff recommends allocating a total of \$41,479 for public services, utilizing Novato's share of the amount the entire Marin County CDBG program can spend on public services. As shown in the table below, three public services organizations are recommended for funding. Unfortunately, with the limited public service funding available, it will be not be possible to provide needed funding for many important services.

Evaluation Guidelines

On September 22, 2009, the Council was presented with a set of draft public service application review guidelines that gave primary preference to City sponsored senior services. Councilmembers stated during the Council meeting that the draft guidelines were too restrictive and that youth, families, and those with economic needs should also be included. Consistent with its evaluations and recommendations in subsequent years Staff used the expanded guidelines in evaluating this year's public service applicants.

The City Council adopted guidelines to give greater consideration to public service applicants that:

- (a) Are City of Novato programs or are City sponsored.
- (b) Provide services to Novato residents, youth, families and older adults, emphasizing economic needs.
- (c) Have a history of successfully managing past grants.
- (d) Can expend the funds in a timely fashion.

In addition, staff considered the following criteria in evaluating applications:

- (a) Need for service
- (b) Organizational capacity
- (c) Availability of existing services

Staff also considered the quality of the organization’s response to the affirmative marketing question on the application, along with the other responses provided.

Recommended for Funding

Staff has recommended three of the nine public service projects for funding, which are listed below; all are Novato-based programs that serve children or the elderly.

Organization	Request	FY 17-18 Recommendation	FY 16-17 Funded Amount
Code Foreword Academy Life Skills <i>Ethan Berry INC.</i>	\$80,512	0	NA
Legal Services <i>Family & Children’s Law Center</i>	\$6,630	0	NA
Marin Brain Injury Network <i>Schurig Center</i>	\$7,104	0	NA
Outreach to Homeless Individuals Novato Expansion <i>Downtown Streets Team</i>	\$135,000	0	NA
Child care scholarships <i>North Bay Children’s Center</i>	\$20,000	\$11,479	\$8,600
Novato Independent Elders Program <i>Episcopal Senior Communities</i>	\$26,000	\$15,000	\$26,000
Child care scholarships <i>Novato Youth Center</i>	\$25,000	\$15,000	\$8,600
Quality Care for Kids	\$10,000	0*	\$9,300
Fifty Plus Employment <i>YMCA San Francisco & Marin</i>	\$23,475	0	NA
Public Services Subtotal		\$41,479	\$55,900

* This organization has a balance of unspent public service funds from previous years

A list of all the applications that were submitted for the Novato Planning Area and Countywide Housing funds is attached as Exhibit A in the draft Resolution. Exhibit A also includes staff's recommendations for allocating Novato's CDBG funds. The applications for the Novato Planning Area and the Countywide funds can be accessed online via these links:

CDBG Novato planning area applications:

http://www.marincounty.org/~media/files/departments/cd/federal-grants/2016_17-applications/applications-2016-novato.pdf?la=en

CDBG Countywide Housing applications:

http://www.marincounty.org/~media/files/departments/cd/federal-grants/2016_17-applications/applications-2016-countywide-housing.pdf?la=en

ALTERNATIVES

1. Make allocations of CDBG funding as recommended by staff.
2. Make different allocations of CDBG funding. (Funds may be shifted between categories, but the Public Service category cannot exceed \$41,479.)
3. Let the Countywide Priority Setting Committee provide a recommendation for Novato Planning Area funding requests.
4. Provide direction to staff.

FISCAL IMPACT

There is no direct cost or revenue impact generated by the recommended action as the City is directing HUD funds to specific projects. Allocating funds to potential City projects may allow City general and capital funds to be allocated to other priorities.

ATTACHMENTS

1. Resolution (including Exhibit A – FY 2017-18 CDBG Project Allocations)
2. All Novato CDBG Applications:
http://www.marincounty.org/~media/files/departments/cd/federal-grants/2016_17-applications/applications-2016-novato.pdf?la=en