



COMMUNITY DEVELOPMENT AGENCY
FEDERAL GRANTS DIVISION

STAFF REPORT

TO: Countywide Priority Setting Committee

FROM: Roy Bateman, Community Development Coordinator *Roy Bateman*

SUBJECT: February 19, 2013 Priority Setting Committee Meeting

- Membership Terms
- Reallocation of \$100,000 in Community Development Block Grant (CDBG) Funds from Gates Cooperative to San Rafael Accessibility Improvements
- Reallocation of \$60,697 in CDBG Funds from Inverness Valley Inn to San Rafael Accessibility Improvements
- Federal Sequestration
- Broad Questions and Policy Directions for the Number and Type of Projects

DATE: February 13, 2013

The recommendations from Community Development Agency staff for reallocation of \$160,697 in Community Development Block Grant (CDBG) funds from the Gates Cooperative and the Inverness Valley Inn to San Rafael Accessibility Improvements are described below. This report also outlines issues related to committee membership terms, the federal budget, and local policies for the CDBG and HOME programs. These recommendations and issues will be considered at the Countywide Priority Setting Committee public hearing on Tuesday, February 19, 2013, at 7:00 p.m., at the Board of Supervisors Chambers, Marin County Civic Center, 3501 Civic Center Drive, Room 330, San Rafael.

Membership Terms for Community Members of Countywide Priority Setting Committee

Cities, towns, and the County designate members of their governing bodies to serve on the Priority Setting Committee, with terms set by the local governments that assign them to the Committee. As a result, for many years, the Committee did not focus on membership recruitment, membership terms, or membership renewals.

A year ago, the Priority Setting Committee was expanded to include community representatives of racial and ethnic minorities and people with disabilities. Initial terms for the new members were set at one year, beginning February 16, 2012. To avoid turnover of the community representative positions in the middle of an application cycle, staff proposes that the Committee extend the terms of all its

members who are not appointees of local government until September 30, 2013. The vote on this decision might be restricted to those whose terms would not be affected.

Staff recommends that a process be put in place to seek applicants for the community representative positions, allowing for the possibility of renewing terms of existing members. One approach would be for staff to advertise the openings in the same way that the County advertises open Commission positions. Committee members would also be welcome to circulate applications to interested people. Then staff would collect the applications for presentation to the full Committee. At a summer 2013 meeting of the Priority Setting Committee, the Committee would review the applications and select the appointees.

Staff recommends that new community members generally start with a 1-year initial term, to create an opportunity to “try out” being on the Committee without accepting a long-term obligation. Staff recommends that the Committee set renewal terms at 1 year for some members and 2 years for other members, so that the community members’ terms are staggered. Staggered terms would prevent the loss of all the experienced community members at the same time, and would make it easier for community members who have experience on the Committee to mentor the newest community members.

CDBG Annual Spending Deadline

The U.S. Department of Housing and Urban Development (HUD) imposes a timely spending requirement on each community that receives CDBG funds. HUD implements this requirement through an annual test in late April. If, on the test date, a community has unspent CDBG 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. We estimate that, if no action is taken, Marin will be \$160,000 short of meeting the timely spending test in April 2013. The proposed actions would help to assure that Marin County will meet the timely spending test this year. The proposed reallocation of funds would move CDBG funds from the Gates Cooperative and the Inverness Valley Inn to the City of San Rafael Public Facilities Accessibility Improvements Project, which can spend the funds by the test date.

Reallocation (“Reprogramming”) of \$100,000 in CDBG funds from the Gates Cooperative to City of San Rafael Public Facilities Accessibility Improvements

Staff recommends the reallocation of \$100,000 in CDBG Countywide Housing funds from the Gates Cooperative (Rehabilitation of Liveaboard Community, Waldo Point Harbor, Sausalito Area) to City of San Rafael Public Facilities Accessibility Improvements (City of San Rafael, various locations in San Rafael).

Staff is proposing to shift \$100,000 from the Gates Cooperative to the City of San Rafael to be used for curb ramp design and construction costs, and other public facilities accessibility improvements, in exchange for reducing the San Rafael Planning Area’s normal 2013-14 CDBG allocation by \$100,000,

which would then be transferred to the CDBG Countywide Housing allocation and used to replenish the Gates Cooperative's allocation. The City of San Rafael has set a goal of allocating \$300,000 in CDBG funds each year for curb ramps and other accessibility improvements required under an agreement with the U.S. Department of Justice. (In 2012, the County's CDBG grant fell to a level where it was no longer possible to provide \$300,000 for the curb ramps project.) Under this proposal, the curb ramp program would receive an extra \$100,000 now, in exchange for getting \$100,000 less than usual in the 2013-14 program year. While this would not increase the total funding for the curb ramp program, it would provide some of the funds sooner. The City is confident that they will be able to bill for the entire \$100,000 amount in March, so the expenditure could be credited towards meeting HUD's timely spending test. (See the attached letter from the City of San Rafael.)

The Gates Cooperative now has a \$629,500 unspent CDBG balance, so they would still have \$529,500 available, far in excess of their expected spending between now and July 2013, when the "borrowed" funds would be restored. In July 2013, the \$100,000 amount would be restored to the Gates Cooperative. The replenishment of the Gates Cooperative funds would be part of the staff recommendations for the March 21, 2013 meeting of the Countywide Priority Setting Committee. In effect, the Gates Cooperative would be temporarily "lending" \$100,000 to the San Rafael curb ramp project, during a period when the Gates Cooperative will not need to spend the funds.

Reallocation ("Reprogramming") of \$60,697 in CDBG funds from the Inverness Valley Inn to City of San Rafael Public Facilities Accessibility Improvements

Staff recommends the reallocation of \$60,697 in CDBG Countywide Housing funds from the Inverness Valley Inn (Community Land Trust Association of West Marin, Acquisition of Inn and rehabilitation for affordable housing, 13275 Sir Francis Drake Boulevard, Inverness) to City of San Rafael Public Facilities Accessibility Improvements (City of San Rafael, various locations in San Rafael).

Staff is proposing to shift \$60,697 from the Inverness Valley Inn project to the City of San Rafael to be used for curb ramp design and construction costs, and other public facilities accessibility improvements, in exchange for reducing the San Rafael Planning Area's normal 2013-14 CDBG allocation by \$60,697, which would then be transferred to the CDBG Countywide Housing allocation and used for other projects. The Community Land Trust Association of West Marin has been unable to obtain site control for the Inverness Valley Inn, and has cancelled its proposed housing rehabilitation project at that location. Under this proposal, the curb ramp program would receive an extra \$60,697 now, in exchange for getting \$60,697 less than usual in the 2013-14 program year. While this would not increase the total funding for the curb ramp program, it would provide some of the funds sooner. The City is confident that they will be able to bill for the entire \$60,697 amount in March, so the expenditure could be credited towards meeting HUD's timely spending test. (See the attached letter from the City of San Rafael.)

Next Steps for Reprogramming Funds

Proposed amendments to the Consolidated Plan to reprogram \$100,000 from the Gates Cooperative to City of San Rafael Public Facilities Accessibility Improvements, and to reprogram \$60,697 from the

Inverness Valley Inn to City of San Rafael Public Facilities Accessibility Improvements, as described above, have been scheduled for the agenda of the Marin County Board of Supervisors at its regular meeting on Tuesday, February 26, 2013.

Federal Sequestration

The Budget Control Act of 2011 required across-the-board cuts in federal discretionary programs unless Congress is able to agree on an alternative plan. If Congress did nothing, sequestration of funding for federal discretionary programs was expected to result in an 8% cut in CDBG and HOME as of January 1, 2013. H.R. 8, approved by the House of Representatives on January 1, delays the sequestration until March 1, giving Congress more time to agree on an alternative to the pre-determined "fiscal cliff." Depending on whether Congress can come to an agreement, which programs Congress decides to shield from cuts, whether additional revenues are planned, and how much the deficit is allowed to grow, this could result in no cuts to CDBG and HOME, or cuts below or above 8%.

Because of the federal budget impasse, HUD has not been able to provide us with estimates of our grant amounts for the 2013-14 program year. However, there is a substantial possibility that automatic sequestration will be triggered on March 1, resulting in an 8% reduction in funding for CDBG and HOME. If Congress is able to agree on an alternative to sequestration, the impact on CDBG and HOME might be positive or negative. For example, Congress might agree to exempt the military from budget cuts, but make deeper cuts in "non-defense discretionary programs," such as CDBG and HOME, in order to balance the budget. Our best estimate is that Marin County's CDBG and HOME grant allocations for the 2013-14 program year will be 8% lower than last year, resulting in an estimated CDBG grant of \$1,072,758 and an estimated HOME grant of \$547,722.

Trends in the CDBG and HOME Programs

Nationally, the most important 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. Along with the decline in grant allocations, the amount that HUD allows for administrative expenses has also been shrinking. The amount HUD allows for administration is no longer enough to cover the County's CDBG administrative costs.

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 a federal 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 great new idea.

Locally, there has been an increasing emphasis on the extent to which racial and ethnic minorities are served by potential 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.)

Broad Questions and Policy Directions for the Number and Type of Projects

In the 2011-12 program year, Marin funded 38 CDBG projects. The 2012-13 CDBG budget cycle resulted in 31 CDBG projects. Should we attempt to continue to decrease the number of projects?

As our CDBG grant decreases, so do the allocations for our planning areas. How important are local hearings for the CDBG Program?

In practice, our housing priority has been to create and preserve rental units for the lowest-income populations we can serve. With reduced funding, we will have fewer resources to support projects that fall outside our highest priority area. Is the Committee comfortable with this role?

Depending on your point of view, the reduced funding levels make it all the more futile, or all the more necessary, to pre-determine priorities for the use of CDBG and HOME funds. Pre-planning can help achieve designated priorities, but it can also lead to a lack of flexibility to take advantage of unexpected opportunities. Should we do more pre-planning?

Our practice has been to fund public service activities at close to the maximum level HUD permits. Public service projects generate disproportionate County administrative costs for contracting, accounting, and reporting, but it would be difficult to shift funds away from these urgent needs while the recession persists. If CDBG funding continues to decline, should we consider eliminating the public services category in order to reduce the number of projects and make more funds available for the core mission of housing?

For capital and public service funds, should we give priority to small, locally-based nonprofits, or to larger regional providers?

Most public service projects are not “completed” in one year and seek ongoing funding. Should our goal be to provide ongoing stability of funding to effective programs, or should we plan to de-fund public service organizations after a few years in order to make room for new providers?

How can CDBG and HOME funds most effectively be used to increase neighborhood integration and enhance diversity in Marin? Are there specific types of projects, project sponsors, or aspects of project administration, that can most effectively contribute to progress? What are Marin’s weaknesses, and how can they most effectively be addressed? What are the opportunities to build on Marin’s strengths?

What would the Committee like to see in staff reports?



CITY OF
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PUBLIC WORKS DEPARTMENT: (415) 485-3355 FAX: (415) 485-3334
Nader Mansourian, Director of Public Works

January 31, 2013

File #16.01.259; 01.11.101

Roy Bateman
Federal Grants Division
Marin County Community Development Agency
3501 Civic Center Drive, Room 308
San Rafael, CA 94903-4157

Dear Roy:

I am writing to summarize our agreement to add \$160,697 to our current Community Development Block Grant (CDBG) curb ramp design and construction allocation, contingent upon approval by the CDBG Countywide Priority Setting Committee and the Marin County Board of Supervisors.

As discussed, San Rafael's current (FY 12-13) allocation is \$241,567. You have proposed adding \$160,697 in CDBG funds to be reallocated next month from slow-moving projects, for a total of \$402,264. We understand that doing so will reduce our FY 13-14 curb ramp funding by \$160,697.

In addition to the amounts described above, we also have an unspent balance of \$33,609 from our FY 11-12 curb ramp allocation, which we understand will remain available to the City.

We have already incurred significant costs for the design and construction of the current and recently concluded curb ramp projects and will apply those expenses against the "new" allocation.

Please accept this letter as confirmation that the City accepts the arrangements described above. We look forward to receiving your written confirmation.

Sincerely,

Nader Mansourian, Public Works Director

cc: Kevin McGowan, Assistant Public Works Director
Richard Landis, Public Works Administrative Manager
Mark Moses, Interim Finance Director