



STAFF REPORT

TO: UPPER ROSS VALLEY LOCAL AREA COMMITTEE

FROM: Roy Bateman, Community Development Manager

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

DATE: March 6, 2015

The recommendations from Community Development Block Grant staff for funding projects in the Upper Ross Valley Planning Area are listed below. These recommendations will be presented and considered at the Upper Ross Valley Planning Area public hearing on Wednesday, March 11, 2015, at 7:00 p.m., at the Council Chambers, San Anselmo Town Hall, 525 San Anselmo Avenue, San Anselmo.

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 Upper Ross Valley Planning Area

The staff recommendations for the use of CDBG Upper Ross Valley 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 Upper Ross Valley 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 Upper Ross Valley 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.

UPPER ROSS VALLEY PLANNING AREA 2015-16

| TYPE | PROJECT # | PROJECT NAME | If previously funded project, data reported: | | Grade on Affirmative Marketing Plan | APPLICANT'S REQUEST | 2015 Recommended New Funds |
|--|-----------|---|--|------------|-------------------------------------|---------------------|----------------------------|
| | | | % Racial Minorities | % Hispanic | | | |
| Housing | UH - 1 | Lifhouse: Fairfax House-rehabilitation | 17% | 0% | C | \$21,000 | \$20,000 |
| | UH - 2 | Peace Village | NEW | NEW | A | \$740,987 | |
| | UH - 3 | Rehabilitation Loan Program | 17% | 13% | A | \$35,000 | \$10,270 |
| | | | | | | | \$796,987 |
| Capital | UC - 1 | Fairfax - San Anselmo Children's Center - Playground Rehabilitation | NEW | NEW | C | \$90,000 | |
| | | | | | | | \$0 |
| Public Services | US - 1 | After School Transportation Program | 14% | 64% | C | \$14,500 | \$6,500 |
| | US - 2 | Family Law Legal Services | 17% | 39% | A | \$4,000 | \$2,956 |
| | US - 3 | HIV/AIDS Benefits Counseling | NEW | NEW | B | \$1,000 | |
| | US - 4 | Marin Brain Injury Network Services | 6% | 4% | A | \$7,000 | \$3,400 |
| | US - 5 | Senior Access Scholarships | 8% | 4% | A | \$8,000 | \$3,000 |
| | | | | | | \$34,500 | \$15,856 |
| Marin County, 2010 Census | | | 14% | 16% | TOTAL | \$921,487 | \$46,126 |
| Total Available for Planning Area | | | | | | | \$46,126 |
| Maximum funds available for Public Services | | | | | | | \$15,856 |
| Minimum funds required for Housing (County policy requires each planning area to allocate at least 30% of its funds for housing.) | | | | | | | \$13,838 |

HOUSING PROJECTS

1. Lifehouse Fairfax House Rehabilitation (Lifehouse)

Fairfax House is a group home, owned and operated by Lifehouse, which serves six developmentally disabled adults. The house blends well into the neighborhood, and achieves the goal of integrating the residents into the community. Lifehouse provides the residents with independent living skills training. In the past, Lifehouse has used CDBG funds to replace windows, replace flooring, repaint the house, remove a deteriorated exterior chimney, and remodel a bathroom for better accessibility. The exterior siding on the south side of the house has gaps which could lead to water intrusion, and it appears that the tar paper behind the siding has deteriorated to the point where it offers little protection. The recommended funding should be sufficient to replace the siding on the south side of the house, which shows the worst signs of deterioration.

Equal Opportunity Analysis: All of the residents are disabled. The Golden Gate Regional Center refers clients to Lifehouse. The sponsor's affirmative marketing proposal is non-responsive (rated C).

2. 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.

The Rehabilitation Loan Program is currently assisting owners of houseboats that belong to the Gates Cooperative, a liveaboard low-income community located within Waldo Point Harbor, just north of Sausalito.

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 minorities are adequately represented among the beneficiaries of this program. Hispanics are slightly under-represented among the beneficiaries of this program. However, 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 PROJECTS

This year, staff is not recommending any funding for capital projects within the Upper Ross Valley.

PUBLIC SERVICE PROJECTS

1. After-School Transportation Program (Fairfax-San Anselmo Children's Center)

The Fairfax-San Anselmo Children's Center transportation service brings school-age children from local public schools to the Center so they can participate in the Center's after-school programs. The proposed funds would be used for salaries for part-time drivers and for van maintenance expenses. This program allows low-income parents to continue working after the end of the school day.

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

2. 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: Racial minorities are adequately represented among the beneficiaries of this program. Hispanic clients are very well-represented among the beneficiaries of this program. The sponsor's affirmative marketing proposal is excellent (rated A).

3. 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).

4. 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 Upper Ross Valley Planning Area, staff is recommending four public service projects for funding this year, the same number that was funded last year. Three of the four recommended public services in the Upper Ross Valley Planning Area are multi-area projects that staff is also recommending for funding in at least one other planning area.

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