



AGENDA REPORT

Department: Housing Authority
Prepared by: David McEachern, Housing Programs Specialist II
Meeting Date: Tuesday, March 19, 2024
Approved by: Benjamin A. Martinez, City Manager

SUBJECT:

Public Hearing No. 1 of 2 for the 2024-2025 Annual Action Plan and Allocation of HUD Entitlement Grant Funds to CDBG and HOME Activities.

RECOMMENDATION:

Conduct the Public Hearing and Approve Recommendations for the CDBG and HOME Funding Allocations from the Sources Identified in the Financial Statement.

BOARD/COMMISSION/COMMITTEE PRIOR ACTION:

Not Applicable.

EXPLANATION:

OVERVIEW: The U.S. Department of Housing and Urban Development (HUD) provides annual grants on a formula basis to entitlement cities and counties, including the City of National City for its Community Planning and Development Programs (CPD). The City of National City (City) receives Community Development Block Grant (CDBG) and HOME Investment Partnerships (HOME) Program funds on an annual basis. The primary statutory objectives of the CDBG Program are to develop viable urban communities by providing decent housing, a suitable living environment, and by expanding economic opportunities, principally for low and moderate-income persons. The intent of the HOME Program is to expand the supply of decent, safe, sanitary, and affordable housing.

The 2020-2024 Consolidated Plan is the framework for the HUD CDBG and HOME entitlement programs. The Consolidated Plan outlines the City's housing and non-housing community development needs and priorities over five years. The Consolidated Plan is carried out through Annual Action Plans, which provide a concise summary of the actions, activities, and specific federal and non-federal resources that will be used each year to address the priority needs and specific goals identified by the Consolidated Plan. An overview of the Consolidated Plan's goals and priorities is attached to this staff report (Exhibit "B"). In addition, the entire Consolidated Plan and program information can be found at www.nationalcityca.gov/cdbg-home.

FUNDING AVAILABILITY: For fiscal year (FY) 2024-2025, HUD program year 2024, the City estimates receiving \$700,000 in CDBG entitlement funds. Of that amount, 20% of the CDBG allocation is reserved for administration and mandatory fair housing requirements.

The City estimates receiving \$400,000 in HOME entitlement funds for FY 2024-2025. Of that amount, 10% of the HOME allocation is reserved for administration.

In addition to the entitlement funds discussed above, \$112,324 in HOME funds from program income will be allocated to HOME activities in FY 2024-2025.

See Exhibit "A" for full funding recommendations.

NOTICE OF FUNDING: Interested parties were notified of the 2024-2025 Action Plan development process through a Notice of Funding Availability (NOFA) made available on January 22, 2024. The NOFA was sent via email and posted on the Housing Authority website per the HUD approved Citizen and Community Participation Plan (CCPP).

FUNDING RECOMMENDATIONS: Staff recommends funding fair housing services, as required by HUD. The City received two (2) CDBG applications to provide fair housing services, from CSA San Diego County and the Legal Aid Society of San Diego. Staff are in the process of reviewing these applications and will provide the provider recommendation at the second public hearing. Staff recommends using the remainder of CDBG entitlement funds on a public facilities and infrastructure project using the Section 108 loan. The National City Engineering Department could utilize the guaranteed loan to supplement the funding of the Las Palmas Pool building. The utilization of Las Palmas Pool building would satisfy CDBG's national objectives to provide community benefit to low-income residents, while the utilization of a Section 108 loan will help the City meet strict expenditure deadlines and may free up other less-restrictive sources of funds to be used elsewhere. Section 108 loans are encouraged by HUD to be used on large-scale projects and are available to CDBG grantees at a maximum value of five times their most recent entitlement amount, which currently would allow for approximately \$3,500,000 for a Capital Improvement Project (CIP). The City would use a portion of its yearly CDBG entitlement to fulfill the Section 108 loan yearly debt service payments with a loan term of 10-15 years. The City paid off its previous Section 108 \$6.9 million loan for the construction of Fire Station 34 in FY 2023-2024.

The remaining HOME funds that are not allocated to program administration will be set aside for a future affordable housing activity.

ANNUAL ACTION PLAN APPROVAL: Project and Program funding recommendations for the CDBG and HOME entitlement grant funds and program income will be presented at the first public hearing held on March 19, 2024. A second Public Hearing will be conducted on May 7, 2024, to review public comments received during a 30-day public review period (April 5 through May 6, 2024) of the draft 2024-2025 Annual Action Plan. The Public Hearing will also provide interested persons and community groups with one last opportunity to share their thoughts regarding the Plan and the CDBG and HOME Program activities being proposed. After all public comments have been considered at the Public Hearing on May 7, 2024, the City Council may adopt the 2024-2025 Action Plan and proposed CDBG and HOME Program funding recommendations.

HUD REVIEW: Upon receipt of the 2024-2025 Action Plan, HUD has 45 days to review and accept it (see Exhibit "B" for the timeline). The Plan specifically details the City's utilization of its CDBG and HOME program funds. HUD acceptance notices will be received in mid to late July.

FINANCIAL STATEMENT:

The City anticipates receiving \$700,000 in CDBG and \$400,000 in HOME Program funds for FY 2024-2025. In addition, the City will reprogram to FY 2024-2025 \$112,324 in HOME program income received.

RELATED CITY COUNCIL 2020-2025 STRATEGIC PLAN GOAL:

Housing and Community Development

ENVIRONMENTAL REVIEW:

This is not a project under CEQA and is therefore not subject to environmental review. CCR15378; PRC 21065.

PUBLIC NOTIFICATION:

The Agenda Report was posted within 72 hours of the meeting date and time in accordance with the Ralph M. Brown Act. Published in The Star-News, on the City Website and Posted on Bulletin Boards at City Hall.

ORDINANCE:

Not Applicable

EXHIBITS:

Exhibit A- 2024-2025 Action Plan Funding Recommendations

Exhibit B- Explanation

Exhibit C- Public Notice