



DATE: December 18, 2018

TO: Mayor and City Council

FROM: Deputy City Manager

SUBJECT: Approval of: (1) Resolution Authorizing City Manager to Implement a Contingency Plan for Allocation and Expenditure of Up to \$1.75 Million in Available Community Development Block Grant (CDBG) Funds; and (2) a Substantial Amendment to the CDBG FY 2018-19 Annual Action Plan

RECOMMENDATION

That the City Council:

1. Approves a resolution (Attachment II) authorizing the City Manager to implement a contingency plan to allocate and expend up to \$1.75 million in available Community Development Block Grant (CDBG) funds; and
2. Approves a Substantial Amendment to the CDBG FY2018-19 Annual Action Plan.

SUMMARY

Since 1975, the City of Hayward has administered Community Development Block Grant (CDBG) funds received from the U.S. Department of Housing and Urban Development (HUD). Annually, HUD conducts a point-in-time measure to assess an entitlement community’s timely use of CDBG funds. To meet this “timeliness ratio,” communities must have no more than 1.49 times their current program year entitlement in fund balances. In June 2017, HUD and City staff conducted a comprehensive reconciliation of unspent and under-utilized CDBG funds and found that the City was not meeting its timeliness ratio. As a result, there is the potential that the City could lose its CDBG funding if it cannot meet the timeliness ratio by May 2019.

Council previously provided guidance and approval of projects to allocate available CDBG funds in order to meet the timeliness requirement. If all of these funds and the other contractually obligated funds programmed in the CDBG Action Plan for the current FY 2018-19 are spent prior to May 2019, the City will meet its timeliness ratio. However, given the potential that all funds are unlikely to be spent by May 2019, staff recommends that the City Council approve a contingency plan for expending up to an additional \$1.75

million in available and unobligated CDBG funds on additional projects to help ensure that the timeliness ratio is met by May 2019.

The total of these proposed projects is \$1.86 million, which exceeds the \$1.75M in available funding to allow staff flexibility in allocating funds to the projects in case some of them are determined to be ineligible for CDBG funding or they cannot meet the City's aggressive expenditure timeline of prior to May 1, 2019. Staff recommends that the Council provide input on the prioritization of the projects and authorize the City Manager to enter into contracts for any of these projects for a total of no more than the \$1.75 million in available funds only if the previously approved projects are unable to meet their spending targets. The proposed contingency projects in order of priority are as follows:

- Up to \$1,000,000 for infrastructure for the Mia's Dream Playground;
- Up to \$380,000 for planning and demolition costs related to affordable housing development;
- Up to \$75,000 for public services for Abode Services to operate a homeless outreach and referral program; and
- Up to \$400,000 for infrastructure improvements at St. Rose Hospital Foundation.

More detail on each of these projects is provided in the staff report. In order to reprogram available funds, the City will need to submit to HUD a Substantial Amendment to the Program Year 2018 Annual Action Plan consistent with the proposed contingency plan.

It is important to approve the proposed contingency plan this evening so that the Substantial Amendment can be finalized by HUD by the end of the year, agreements can be generated in early January, and funds can be spent between January and May 2019.

BACKGROUND

Since 1975, the City of Hayward has administered CDBG funds received from the U.S. Department of Housing and Urban Development (HUD). The CDBG program annually provides formula "entitlement" grants to states and local governments with populations greater than 50,000, including Hayward. In program year 2017, the City of Hayward was awarded \$1,228,347 in CDBG funds. Annually, HUD conducts a point-in-time measure to assess an entitlement community's timely use of CDBG funds. To meet this "timeliness ratio," communities must have no more than 1.49 times their current program year entitlement in fund reserves.

In June 2017, HUD and City staff conducted a comprehensive reconciliation of unspent and under-utilized CDBG funds and found that the City was not meeting its timeliness ratio. As a result, there is the potential that the City could lose its CDBG funding, if it cannot meet the timeliness ratio in May 2019.

On [May 15, 2018](#), staff presented an update to Council on the status of available and unspent CDBG funds and requested that Council authorize the reallocation of \$1,900,000 of

available CDBG program funds to eligible projects in order for the City to meet its timeliness ratio by May 2019. If all of these funds and the other contractually obligated funds programmed in the CDBG Action Plan for the current FY 2018-19 are spent prior to May 2019, the City will meet its timeliness ratio. However, given the potential that all funds are unlikely to be spent by May 2019, staff recommends that the City Council approve a contingency plan for expending up to an additional \$1.75 million in available and unobligated CDBG funds to help ensure that the timeliness ratio is met by May 2019. If more funds are spent than required to meet the timeliness ratio this year, the City will be in an even better position to meet its timeliness ratios in subsequent years by bringing down the City's balance in its line of credit from HUD.

DISCUSSION

Staff recommends allocating up to \$1.75M of available and unobligated CDBG funds towards a number of potentially CDBG-eligible contingency projects. Projects are listed below in order of priority, determined by perceived positive benefit to the community, feasibility, and alignment with Council goals. The total of these proposed activities is \$1.86 million, which exceeds the \$1.75M in available funding to allow staff flexibility in allocating funds to the projects in case some of them are determined to be ineligible for CDBG or cannot meet the City's aggressive expenditure timeline of prior to May 1, 2019. Staff recommends that the Council provide input on the prioritization of the projects and authorize the City Manager to enter into contracts for any of these projects for no more than the \$1.75 million in available funds. The proposed projects in order of priority are as follows:

- 1) Up to \$1,000,000 for infrastructure for the Mia's Dream Playground;
- 2) Up to \$380,000 for planning and demolition costs related to affordable housing development;
- 3) Up to \$75,000 for public services for Abode Services to operate a homeless outreach and referral program;
- 4) Up to \$400,000 for infrastructure improvements for the St. Rose Hospital Foundation

More detail on each of these projects is provided below. It is important to approve the proposed contingency plan this evening so that the Substantial Amendment can be finalized by HUD by the end of the year, agreements can be generated in early January and funds can be spent between January and May.

Proposed Contingency Plan for Allocation and Expenditure of Available CDBG Funds

The contingency plan includes supplemental funding for existing CDBG funded projects and a proposal to fund new potentially eligible projects. The projects below have been identified as having positive impact for low-income communities as well as increasing the affordable housing stock in Hayward. Additionally, the below projects have been identified as having a high likelihood of being eligible for CDBG funds and able to expend significant amounts of funds within the required timeframes for meeting the timeliness ratio.

Projects are listed in order of priority and staff will pursue allocating CDBG funds accordingly. Given the time sensitive nature of this, the proposed funding allocations are not exact to allow for flexibility in allocating specific amounts based on staff's further due diligence regarding the potential timing and eligibility of expenditure of funds for each of these projects. As such, the final contracted amounts per project may not be for the full amount stated below and will not exceed the \$1.75 million in available CDBG funds.

1. Public Facility and Infrastructure Improvements for Hayward Area Recreation District (HARD)'s Mia's Dream Playground

Mia Vasquez was born with a severe form of Cerebral Palsy. In 2016, Mia's parents approached HARD and the HARD Foundation to consider building an all-inclusive playground for children like Mia to be able to play. The Mia's Dream playground is an all-inclusive playground for children of all abilities to enjoy.

Mia's Dream has been master-planned for the Tennyson Park site in the Tennyson Corridor, one of the most disadvantaged areas in Alameda County and a priority of the City Council. The purpose of building the one-acre all-inclusive playground is to provide health, wellness, and safety to 'all' with an emphasis on those with disabilities who lack resources and ability to be mobile, exercise, and play. The playground will be designed for children and adults with physical and sensory disabilities, as well as communicative and cognitive disabilities. It will provide for multigenerational play and socialization for those who are all-abilities. Hayward has one of the highest percentages of persons with disabilities in Alameda County, with 10% of Hayward's residents who are disabled. Poverty among those with disabilities is prevalent and many of those living in the Tennyson Corridor are low-income residents. Beyond children with special needs, there is a large population of seniors living in mobile homes and group home residents nearby who also need a place to exercise.

As part of FY 18-19 Community Agency Funding process, the City awarded the Mia's Dream project \$96,000 for soil grading. Staff proposes allocating up to an additional \$1,000,000 in funding for CDBG eligible expenses towards Mia's Dream, if the timing works and sufficient eligible expenses are determined to exist. This project would benefit children of all abilities, the community surrounding the park, and the entire Hayward community. The project is currently out to bid, and staff is working with HARD to determine all potentially CDBG eligible components of the project that can be realistically expended and funded within the next several months.

2. Planning, Site-Preparation, and Demolition Costs Related to the Development of Affordable Housing

On October 2, 2018, Council voted to appropriate \$28.6 million to support development of 259 apartments for people with low and extremely low incomes and the homeless. Council allocated funds to support three projects—two proposed by nonprofit developer EAH Housing, Inc., of San Rafael, and one by Abode Services, of Fremont, a nonprofit agency specializing in securing permanent homes for individuals and families experiencing homelessness.

The EAH projects, Matsya Family Villas and Mission Senior Paradise, would create 57 apartments for low-income and extremely low-income households, and 76 apartments for independent seniors who are low-income and extremely low-income. As part of Council's October 2 authorization, \$800,000 in CDBG funds were approved for one of the EAH Housing projects, the Mission Senior Paradise at 28000 Mission Boulevard. This project will provide 76 units of affordable senior housing and will assist households with incomes between 20% and 80% of the area median income. Additionally, it would set-aside 15 units for homeless veterans and provide supportive services to help them remain housed.

The Abode Services project would create 126 micro apartments for low-income and extremely low-income people with on-site coordination of mental-health, addiction, employment, and other social and support services. To be developed by Abode Services development affiliate Allied Housing, the project would reserve 31 units for homeless people and 31 for people living with mental-health disabilities.

Staff is exploring allocating additional CDBG funds towards the planning costs associated with the development of these affordable housing sites, including but not limited to studies, analysis, data gathering, preparation of plans, and identification of actions that will implement plans. Additional funding could be allocated toward asbestos abatement and demolition of the proposed site.

In addition to the projects outlined above, staff are exploring using CDBG funds for the demolition of structures on Parcel Group 5 of the 238 Corridor land. Demolitions of Parcel Group 5 structures are currently underway with the first set of demolition scheduled to start in January for 10 existing vacant homes. Staff will be contracting for the demolition of an additional 14 vacant homes in first quarter of 2019 and is evaluating whether CDBG funds may be eligible to cover some of these expenses since the proposed use of this land would include some affordable housing as well as open space and trails for public use.

Staff proposes allocating the following funding for the development of affordable housing:

- Up to \$80,000 for planning costs; and
- Up to \$300,000 for site preparation and demolition costs for either the affordable housing projects or demolition of vacant structures on Parcel Group 5 of the former 238 properties.

3. Public Services for Abode Services Immediate Impact Grant

On December 5, 2017, the Alameda County Board of Supervisors approved \$1,000,000 in emergency one-time funds (Immediate Impact Grants) for projects anticipated to provide immediate relief to unsheltered residents of Alameda County. The funds were restricted to city applicants and designed to be flexible and supportive of collaboration. Projects required a match of resources and an agreement to partner with the regional Housing Resource Center provider, Abode Services. The City of Hayward already committed \$75,000 to support two

Abode Services housing navigators to serve the Careavan Safe Overnight Parking program in partnership with the City of Union City.

The Careavan Program offers safe parking to families and/or individuals whom have been displaced and are temporarily homeless, living in their vehicles, and need a safe place to park overnight. Union City provides two locations and housing navigation support through Abode Services. Hayward and Union City resident participants are provided access to showers, dinner services, laundry, and limited case management while on site.

Staff proposes allocating an additional \$75,000 in available CDBG Public Services funding towards this program. This program would benefit individuals and families experiencing homelessness through housing navigation and direct client support.

4. Infrastructure Improvements for St. Rose Hospital

St. Rose Hospital is a not-for-profit public facility, one of three safety-net hospitals providing comprehensive medical care to indigent/uninsured residents of Hayward and Alameda County. In Hayward, St. Rose provides free or Medi-Cal eligible care to residents of three adjacent and eight non-contiguous low-income census tracts within the City limits.

In May 2018, Council approved \$1,000,000 in CDBG eligible equipment purchases. Staff are proposing to fund up to an additional \$400,000 in CDBG eligible expenses towards the St. Rose Hospital Foundation, if the timing works and sufficient eligible expenses are determined to exist.

Community Services Commission Review

Staff presented the proposed contingency plan to the Community Services Commission on November 28, 2018. The Community Services Commission was supportive of the projects outlined in the proposed contingency plan and recognized the need for flexibility in allocating available funds to meet timeliness.

Amended Annual Action Plan

In order to reprograms available funds, the City will need to submit to HUD a Substantial Amendment to the Program Year 2018 Annual Action Plan. Staff published a draft Substantial Amendment on November 21, 2018 and opened a thirty-day public comment period lasting through December 21, 2018 (Attachment III). The draft Substantial Amendment can also be found on the City of Hayward's website.

Per the recommendation of TDA Consulting, the substantial amendment submitted to HUD will be worded broadly to allow for further flexibility by the City in funding allocations without going back to HUD for formal approval. Table 1 outlines staff's proposed funding allocations per project area.

While the below funding allocations are included in the draft Substantial Amendment, staff can change these funding allocations up to December 21, 2018, prior to submitting the amendment to HUD based on feedback from the Council, public comment, and any further feasibility assessment by staff of the likelihood that the contingency projects can meet the City's aggressive timeline.

Within each project area, staff has listed planned activities. Planned activities include:

- Programs that Council approved at the April 17, 2018 Council meeting to approve the FY 2019 Community Agency Funding Recommendations;
- Programs that Council at approved at the May 15, 2018 meeting to authorize the reallocation of \$1,900,000 of available CDBG program funds to eligible projects; and
- Projects within the proposed contingency plan outlined above.

TABLE 1: PROPOSED CDBG FUNDING ALLOCATION BY PROJECT

No.	PROJECT	PLANNED ACTIVITIES (INCLUDING BUT NOT LIMITED TO)	SUBSTANTIAL AMENDMENT FUNDING AMOUNT
1	Administration & Planning	Administration for CDBG program delivery including planning costs.	\$648,128
2	Acquisition, Disposition, Clearance & Relocation	Acquisition of real property for affordable housing development, clearance and demolition of sites for affordable housing	\$800,000
3	Economic Development	Micro-enterprise assistance.	\$30,000
4	Housing	Housing rehabilitation work, targeted code correction activities, seismic retrofit program	\$350,000
5	Public Facilities & Infrastructure Improvements	Facility and infrastructure improvements for health facilities and parks and recreation facilities	\$2,522,437
6.	Public Services	Housing navigation services to unsheltered residents, academic support for low-income residents, job training programs, and fair-housing services.	\$507,933
	Total		\$4,858,498

Further explanation on the proposed changes within the Substantial Amendment can be found in the Public Information Summary of the Substantial Amendment (Attachment III).

For FY18-19, Council approved \$251,104 in CDBG salary supplies costs. Per HUD guidelines, CDBG grantees are allowed to use up to 20% of each year's annual entitlement for administration and planning costs.

The City received \$1,517,384 in 2018 entitlement, allowing up to \$303,476 in administrative and planning costs or an additional \$52,372 in administrative costs. Additionally, staff had \$131,686 of carry-forward administrative and planning costs from FY 17-18, totaling an additional \$184,058 available in administrative and planning funds for the City of Hayward.

Staff propose to use the available \$184,058 for the following:

- i. \$75,000 for a consulting service contract with TDA Consulting to provide training and assistance in CDBG, financial management, policy and procedure, and reconciliation of past CDBG expenses and financial practices;
- ii. \$20,000 for an on-call environmental consulting services to conduct CDBG required environmental assessments;
- iii. \$28,200 for a consulting service contract with EveryOne Home to provide a comprehensive report for the 2019 Point-in-Time Count of individuals experiencing homelessness; and
- iv. \$60,858 for an increase in salary allocation.

The increase in salary allocation is warranted due to the increased staff time needed to work on CDBG to meet HUD timeliness requirements, as well as the other staff that the Community Services Division has partnered with to help meet timeliness, including staff from the Economic Development and Housing Divisions. Additionally, the service contracts will be instrumental in providing staff with expert knowledge to reach timeliness deadlines in this and subsequent years, as well as to better understand the environmental review process and homeless population in Hayward.

Long-Term Plans for Meeting Timeliness Annually

Staff acknowledges that there is a serious need to develop sustainable plans for meeting timeliness on an annual basis. Staff has recently attended extensive trainings on federal grant financial management and HUD's Integrated Disbursement and Information System (IDIS) (the online system for the CDBG program) and will also be attending an intensive training on CDBG from January 14, 2019 through January 16, 2019.

With the help of the CDBG consultant, staff will also be reviewing and revising as necessary the City's CDBG Policy and Procedure Manual and Community Participation Plan and implementing best-practices in creating the City's upcoming 5-Yer Consolidated Plan as well as the next Annual Action Plan. Additionally, staff will work with the Community Services Commission to provide further guidance and support in reviewing applications for CDBG funds by taking into consideration factors that address past performance issues and the likelihood of success of expending funds in a timely manner.

ECONOMIC IMPACT

There will be positive economic impacts on the low-income communities served by the projects specified above.

FISCAL IMPACT

There is no fiscal impact to the City's General Fund to fund these projects using CDBG grant related funds. If Council does not approve this plan and the City does not meet its timeliness goal as established by CDBG, the City may be at risk of a reduction in or loss of its CDBG

allocation, including revoking funds already awarded to the City and/or a discontinuance in issuing future CDBG funds.

STRATEGIC INITIATIVES

This agenda item supports the Complete Communities Strategic Initiative. The purpose of the Complete Communities Strategic Initiative is to create and support structures, services, and amenities to provide inclusive and equitable access with the goal of becoming a thriving and promising place to live, work and play for all. This item supports the following goal:

Goal 1: Improve the quality of life for residents, business owners, and community members in all Hayward neighborhoods.

PUBLIC CONTACT

Hayward City Council reviewed the results of the Biennial Review and recommended reallocations at a public hearing dated July 18, 2017. On May 15, 2018, the Hayward City Council approved a resolution authorizing the reallocation of available CDBG program funds to eligible projects.

Staff published a draft Substantial Amendment on November 21, 2018 and opened a thirty-day public comment period lasting through December 21, 2018. Staff presented the proposed contingency plan to the Community Services Commission on November 28, 2018. Staff welcomes additional public comment and will incorporate any comments received into the final draft of the Substantial Amendment.

NEXT STEPS

Staff will incorporate any comments received from the public hearing as well as from the public comment period into the final draft of the Substantial Amendment and will submit to HUD no later than December 24, 2018. Staff will report back to City Council in May 2019 on the status of the City's CDBG funds.

Prepared by: Jessica Lobedan, Management Analyst II

Recommended by: Jennifer Ott, Deputy City Manager

Approved by:



Kelly McAdoo, City Manager