



DATE: November 28, 2018

TO: Community Services Commission

FROM: Deputy City Manager

SUBJECT Review and Comment on Proposed Contingency Plan for Allocation and Expenditure of Available Community Development Block Grant Funds

RECOMMENDATION

That the Community Services Commission reviews and comments on the proposed contingency plan for allocation and expenditure of available Community Development Block Grant (CDBG) funds.

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.

On July 18, 2017, Council approved seven projects to apportion \$1,289,000 in available CDBG funds. On May 15, 2018, staff presented an update to Council on the status of CDBG funds and requested that Council authorize the reallocation of \$1,900,000 of available CDBG program funds to eligible projects.

In October 2018, the City contracted with HUD's recommended CDBG consultant, TDA Consulting to provide training and assistance in CDBG, financial management, policy and procedure, and reconciliation of past CDBG expenses and financial practices.

While considerable progress has been made towards utilization of excess CDBG funds, staff recommends approving a contingency plan for the reprogramming and expenditure of up to \$2,000,000 in available funds to CDBG eligible projects under the "Public Facilities and Infrastructure Improvements" as well as "Acquisition, Disposition, Clearance, Relocation." The exact amount remaining in the City of Hayward's Line of Credit Control System (LOCCS) balance, which will serve as the basis for determining how much expenditure is required to meet HUD's timeliness ratio, will be determined later this month upon completion of the reconciliation of past CDBG expenses and financial practices currently underway by staff and TDA Consulting.

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. Additional information on CDBG and HUD’s mandated eligibility standards can be found in Council’s July 11, 2017 work session to review the City’s CDBG program ([Attachment I](#)).

Annually, HUD conducts a point-in-time measure to assess an entitlement community’s timely use of CDBG funds. To meet this “timeliness ratio,” community’s must have no more than 1.49 times their current program year entitlement.

In June 2017, HUD and City staff conducted a comprehensive reconciliation of unspent and under-utilized CDBG funds. The review reconciled financial files for program years 2014 through 2016 and resulted in approximately \$1,289,000 of one-time CDBG funds eligible for allocation to eligible projects in the “Community Infrastructure, Jobs and Economic Development” category. This category allows for projects related to affordable housing development, housing rehabilitation and preservation, community facility rehabilitation, blight removal and abatement, economic development and job creation, and pavement reconstruction, among other eligible activities.

On July 18, 2017, Council approved seven projects to apportion \$1,289,000 in unspent CDBG funds ([Attachment II](#)). On May 15, 2018, staff presented an update to Council on the status of available CDBG funds, and requested that Council authorize the reallocation of \$1,900,000 of available CDBG program funds to eligible projects ([Attachment III](#)).

In October 2018, the City contracted with HUD’s recommended CDBG consultant, TDA Consulting to provide training and assistance in CDBG, financial management, policy and procedure, and reconciliation of past CDBG expenses and financial practices. The reconciliation is expected to be complete later this month.

DISCUSSION

While considerable progress has been made towards utilization of excess CDBG funds and towards ensuring that timeliness is met by May 2, 2019, staff recommends approving a contingency plan for the reprogramming and expenditures of up to \$2,000,000 in available funds to CDBG eligible projects. Using conservative spending projections and the current performance of CDBG subrecipients, there is a possibility that the timeliness ratio will not be met if additional funds are not reprogrammed to other projects by early next year. As a result, staff recommends that the City Council approve a contingency plan so that staff has the flexibility to reprogram available funds towards specific projects outlined below in the event the timeliness ratio may not be met.

The exact amount remaining in the City of Hayward's LOCCS balance, which will serve as the basis for determining how much expenditure is required to meet HUD's timeliness ratio, will be determined later this month upon completion of the reconciliation of past CDBG expenses and financial practices currently underway by staff and TDA Consulting.

Proposed Contingency Plan for Allocation and Expenditure of CDBG funds

The contingency plan includes supplemental funding for three existing CDBG funded 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 the highest likelihood of being able to expend large amounts of available CDBG funds within the required timeframes for meeting the timeliness ratio.

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 the 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 Hayward's 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, 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 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 to fund up to an additional \$1,034,000 in CDBG eligible expenses towards Mia's Dream, if the timing works and sufficient eligible expenses are determined to exist.

St. Rose Hospital Foundation's 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 City of Hayward limits.

In May 2018, Council approved \$1,000,000 in CDBG eligible equipment purchases. Staff are proposing to fund up to an additional \$1,200,000 in CDBG eligible expenses towards the St. Rose Hospital Foundation, if the timing works and sufficient eligible expenses are determined to exist.

EAH Housing, Inc.'s Affordable Housing Acquisition Costs

On October 2, 2018, Hayward City Council voted Tuesday to appropriate \$28.6 million to support development of 259 apartments for people with low and extremely low incomes and the homeless. The Council allocated the 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.

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 project is in an ideal location only ½ mile from the South Hayward Bart station providing the seniors with access to most of the Bay Area.

The total land acquisition costs for the Mission Senior Paradise total \$6,000,000. Staff are exploring allocating additional CDBG funds towards these acquisition costs, if the timing works.

Amended Annual Action Plan

Per the recommendation of TDA Consulting, the substantial amendment submitted to HUD will be worded broadly to allow for further flexibility in funding allocations without going back to HUD for formal approval. The substantial amendment will also include projects that Council approved from the May 18, 2017 meeting. Staff plans to present to the City Council on December 11, 2018. Should Council approve staff's proposed contingency plan for the reprogramming of additional available CDBG funds to the projects outlined above, then these projects will be included in the substantial amendment as well.

Staff published a draft Substantial Amendment on November 21, 2018 and opened a thirty-day public comment period lasting through December 21, 2018. Staff will also present the Substantial Amendment to Council on December 11, 2018. Staff welcome public comment and will incorporate any comment received into the final draft of the Substantial Amendment.

Given the time-sensitive nature of spending CDBG funds no later than April 1, 2019, staff will request that the City Council authorize the City Manager be allowed to decide exactly how much funding is allocated and to which of the contingency projects specified above since the exact amount in the LOCCS is still undetermined and staff is still conducting its due diligence on the timing for expenditure of funds for each of these projects.

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 to fund these projects with CDBG funding. If the City does not approve the contingency plan and is not able to reach its timeliness goal then the City may be at risk of a reduction in its CDBG allocation.

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 goals:

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 Biennial Review results and recommended reallocations at a public hearing dated July 18, 2017. On May 15, 2018, 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 will present the Substantial Amendment to Council on December 11, 2018. Staff welcome public comment and will incorporate any comment received into the final draft of the Substantial Amendment.

NEXT STEPS

Staff will be presenting the amended annual action plan to City Council in December 2018. Staff will incorporate any comments received into the final draft of the Substantial Amendment and submit to HUD no later than December 14, 2018.

Staff will report back at the next Community Services Commission on the outcome of the City Council meeting. Additionally, staff will present to the Community Services Commission 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