

Lompoc City Council Agenda Item



City Council Meeting Date: March 20, 2007

TO: Gary P. Keefe, City Administrator

FROM: Dinah Lockhart, Community Development Program Manager
d_lockhart@ci.lompoc.ca.us

SUBJECT: 1) Approval of the California Environmental Quality Act (CEQA) Environmental Compliance Program for the Lompoc Portion of the Santa Barbara County Annual Action Plan for FY 2007-08

2) The FY 2007-2008 budget for the Community Development Block Grant, Human Services, and HOME Programs

RECOMMENDATIONS:

That City Council:

1. Make any necessary amendments and adopt Resolution No. 5390 (07), approving the attached California Environmental Quality Act (CEQA) Environmental Compliance Program for the Lompoc Portion of the Santa Barbara County Annual Action Plan for FY 2007-08;
2. Approve the draft estimated FY 2007-2008 budget for the Community Development Block Grant (CDBG), Human Services, and HOME with the understanding that final FY 2007-2008 budget figures will be provided to Council for approval when they become available; and
3. Authorize the City Administrator or his designee to submit the draft estimated FY 2007-2008 budget to the County of Santa Barbara Housing and Community Development Department for inclusion in the County's draft CDBG Consolidated Plan and Action Plan which will be posted for a 30-day public comment period beginning April 9th, and then later forwarded to the U.S. Department of Housing and Urban Development (HUD).

BACKGROUND AND DISCUSSION:

First Year of City / County CDBG Consortium Agreement

In May of 2006, the City Council approved the cooperation agreement between the County of Santa Barbara and the City for joint participation in the Community Development Block Grant (CDBG) Program for FY's 2007-09. Under the terms of the agreement with the County, the City will receive federal CDBG funds as a 'pass through' from the County in a 'formula'-type disbursement. In year one of the agreement (2007-08), the City will receive its normal CDBG entitlement amount for that year, plus 50.4% of County CDBG project funds (which is 50.4% of the balance to the County after the City's entitlement amount is subtracted). On March 9, 2007 the U.S. Department of Housing and Urban Development (HUD) released a CDBG grant allocation to the County for FY 2007-08 (Attachment #3). The City will receive a total CDBG grant amount of \$986,372, which is 89% more than last year's grant of \$523,170.

However, staff has concerns that the amount falls short of the level of funding the County had agreed would be allocated to Lompoc. For the 1st year estimated CDBG 'bonus' allocation, the City would only receive \$554,661 under the County's calculation. Staff is currently having legal counsel review the County's methodology to determine if Lompoc has received its full allocation as specified under the Cooperation Agreement. However, in order not to jeopardize the tentative CDBG funding allocated to the City, staff decided to present the current budget to Council to meet a County set deadline, which will allow the County to incorporate Lompoc's proposed list of projects into the County's draft Consolidated Plan which will be posted for a required 30-day public comment period beginning on April 9th. After the 30-day comment period, the document will be reviewed by the County Board of Supervisors, and if approved, will be submitted to HUD in May. Should the County revise the City's CDBG allocation later, staff will return to Council with a revised budget.

Under the federal HOME program, the City will receive \$195,431.

Annual Action Plan CEQA Environmental Compliance Program 2007-2008

Under provisions of the agreement with the County, the City retains responsibility for performing environmental reviews of all Lompoc CDBG projects. The Annual Action Plan CEQA Environmental Compliance Program (AAPCECP) has been prepared to streamline environmental review of routine Community Development Block Grant (CDBG) Division activities and projects that do not have potentially significant environmental impacts. Each CDBG activity listed in the AAPCECP has been reviewed for consistency with the requirements of CEQA and the CEQA guidelines, and has been determined to be exempt. Each project or

activity will be reviewed for consistency with the exempt activities listed in this plan. CDBG funding allocations and projects not covered under the plan or the identified exemptions will undergo individual environmental review, pursuant to CEQA.

CDBG Program Budget for 2007-08

The estimated CDBG Program Budget for 2007-08 describes how the City proposes to use federal Community Development Block Grant (CDBG), federal HOME funds, and local human service funding in the next year. Proposed activities are consistent with the City's Five Year Consolidated Plan, which was approved by Council in 2005.

New project highlights for next year include:

- Charlotte's Web Children's Library (earmark of \$250,000 approved last year and carried forward)
- Re-use of the Lompoc Theater
- Pre-development activities related to the proposed Police Activity League (PAL) center at the site of the old municipal pool (earmark of \$100,000 approved last year and carried forward)
- Re-use/ renovation of Lompoc Hospital for use as a community center (earmark of \$200,000 approved last year and carried forward with a new allocation of \$150,000 recommended)

Other activities planned for next year include:

- Fair Housing Monitoring
- Micro-Enterprise Training for businesses with less than 5 employees
- Housing Rehabilitation Loan Program
- Emergency Housing Repair Grant Program (administered through Catholic Charities)
- Operating subsidy and pre-development assistance to the Lompoc Housing and Community Development Corporation (LHCDC) for the development of affordable housing
- Requests by LHCDC for two affordable housing projects. The first project is a request for City HOME Consortium funding (\$195,431) for Casa De Desarrollo, a proposed 19-unit housing development for young adults (18-25 years of age). This represents the second year of HOME funding dedicated to this project. The second request is \$159,000 for the G and College Avenue housing project (now called College Park Apartments)
- Human Service Program, including staff support to the City Human Service Commission

Summary Of Available Resources

Funding that will be available to the City during the fiscal year includes CDBG funds (both entitlement and new 'bonus' funds); new and reprogrammed CDBG program income generated from repayments on economic development and housing rehabilitation loans; City Human Service funds; federal HOME Program Consortium funds; and income from repayments on 1992 HOME First Time Homebuyer loans. The total of all funds projected to be available is \$3,401,803.

Estimated Funds Available For FY 07 Program Compared With Past Years

FUNDING SOURCES	FY 07	FY 06	FY 05	FY 04	FY 03
Annual CDBG	431,711	523,170	583,460	618,000	633,000
CDBG Bonus	554,661				
CDBG / Program Income Fund Balance (1) (est. at 6/30/07)	1,700,000 (1)	1,879,000	1,943,000	1,565,000	1,388,000
CDBG Program Income (Loan Repayments)*	300,000	646,000	631,000	374,000	890,000
Human Service Donations	40,000	40,000	40,000	42,000	42,000
Annual HOME Consortium	195,431	196,830	208,826	230,021	231,834
1992 HOME Program Income (1 st Time Home Buyers)	180,000	21,000	21,000	21,000	21,000
TOTAL	3,401,803	3,306,000	3,427,286	2,850,021	3,205,834

* Program income is an estimate based on amortized rehab loan repayments, and loan payoffs.
(1) Fund Balance includes previously approved projects with committed funds.

Restrictions On Use Of Funds

Use of CDBG funds must conform to one of the three national objectives: (1) benefit low- to moderate-income persons; (2) removal of slums and blight; and/or (3) meet an urgent community need where other funds are not available. CDBG funds may not replace any City or state-funded function. Human service donations are restricted for human service activities and are not used for administrative costs. HOME funds may only be used for affordable housing

projects. A maximum of 15% of CDBG (entitlement and program income) funds can be used for Human Service Programs and up to 20% can be used for administrative costs. CDBG bonus funds can be used for all eligible uses except *administration*. Of all CDBG funds used, a minimum of 70% must be used to benefit low- to moderate-income persons. Expenditures that are not in compliance with HUD regulations must be paid back from the City's General Fund.

Citizen Participation And The Budget Development Process

The City's Human Service Commission held a Needs Assessment Public Hearing on November 14, 2006 in the City Council Chambers. A display ad soliciting applications for human service and affordable housing funding was published in the Lompoc Record on October 29, 2006. Eighteen (18) persons attended in addition to the City's Human Service Commissioners, and Community Development staff. Several community representatives gave testimony regarding local needs and available resources. A Spanish language interpreter was also present.

The deadline to submit applications for funding was December 15, 2006. Twenty-four (24) applications requesting \$324,795 were received and were forwarded to the Human Services Commission for review. Commissioners conducted 30-minute interviews with each program in February of 2007. The Human Service Commission met on February 27, 2007 to deliberate an estimated allocation amount. Although the Commission made preliminary allocations to the agencies, the Commissioners decided to hold off providing a final list of recommendations to City Council until the final 2007-08 CDBG grant amount is made known to the City. The actual amount available this year of \$136,963 is an 18% reduction from last year's amount of \$167,096 for human services.

Administration

Twenty percent (20%) of the \$359,759 2007-08 CDBG allocation and \$50,800 in CDBG program income will be used for program administration. In order to stay within the regulatory 20% cap on administrative expenditures, staff will charge time spent on projects to the project rather than to 'general administrative' costs. The total administrative budget is \$122,752. A more detailed description of Administration duties is found in attached CDBG, HOME budget worksheet and narrative.

Economic Development

The City's Economic Development Program is budgeted at \$3,000 for the Self-Employment Training (SET) Program. This Program offsets tuition to the City sponsored small business development program offered by a local business

consultant. In order to fund proposed public facility improvements, staff is proposing using program income previously set aside for loans to businesses.

Code Enforcement

The Action Plan has set aside \$100,000 for a CDBG Code Enforcement Program. Currently the City provides non-CDBG funded code enforcement by responding to complaints from the community. The CDBG code enforcement program must be coupled with public or private improvements or services that can be expected to arrest the decline of the area.

Housing

The Housing Program is budgeted at \$712,561, which includes \$337,130 for the City administered portion of the Housing Program, and \$375,431 for the Non-profit portion of the Program. Total funding available includes \$159,872 in 2007-08 CDBG entitlement funds, \$177,130 in CDBG program income, \$195,431 in federal HOME Consortium funds, and \$180,000 in State HOME Program Income.

The City Housing Program includes the Housing Rehab Revolving Loan Fund (\$170,000), the Emergency Repair Grant Program (\$40,000), and Housing Rehabilitation Program delivery costs (\$127,130). Under the Non-Profit portion of the Program, there is a reservation of \$195,431 for Casa De Desarrollo, an affordable housing development proposed by the Lompoc Housing and Community Development Corporation (LHCDC), which will provide 19 units to young adults existing the foster care system. Last year, the City reserved \$196,830 in FY 2006-07 HOME funds for this project, which brings the total City commitment to date to \$392,261 for the \$4.1 million project. In addition \$159,000 is being reserved for the G and College Avenue Apartments project (now called College Park Apartments) and \$21,000 is being reserved in 1992 State HOME Program Income funds for LHCDC pre-development and operating costs. Any specific commitment of federal or other loan funds will come back to Council for review and approval at a later time.

It should be noted that funds identified under the 'Housing-Non-Profit' portion of the budget are restricted by federal regulations to only be used for affordable housing projects and related costs.

Public Facilities

The Public Facilities Program is budgeted at \$1,150,585. This estimated funding is being proposed for a variety of public facility improvement projects in the low/moderate-income census tract areas of the City. The proposed projects and funding levels constitute 'earmarks', and do not obligate or commit Council to funding these projects. Each project will individually come back to City Council

for review and discussion, and Council reserves the right to revise these 'earmark' figures.

Staff is recommending setting aside \$1,000,585 for the Lompoc Theater restoration. This project was identified in the City's Five Year Consolidated Plan for funding. At this early time in the project's development, this is an *estimated* amount, and can be revised higher or lower depending on Council's direction relative to the level of City support ultimately provided to this proposed project. The owner of the Theater, the Lompoc Housing and Community Development Corporation has shown in their project pro forma a new CDBG contribution coming from the City of \$2.5 million. There would also be potential impacts to other identified projects in the next several years, in terms of level of CDBG contribution to the project and/or timing of project completion.

The City has previously identified CDBG funding to assist in the renovation of the old Lompoc Hospital, once it is vacated, for future use as a community center. Staff has identified \$150,000 in next year's budget, which together with \$200,000 reserved last year, will bring total City support to \$350,000. Other requests include the Police Activity League (PAL), which is asking the City consider a reservation of \$500,000 for 2007-08. This is in addition to the \$100,000 reserved for this project included in last year's funding. PAL program staff has indicated they will apply for grants and foundations to leverage the City's funds in order to fully fund the estimated \$1.5 million youth center project, proposed for the old municipal pool site. The Engineering Division is recommending the allocation of \$200,000 for a sidewalk improvement project in a low-income census tract area of the City. Based on the City's 2007-08 CDBG funding, there is insufficient funding for all these projects in the next year.

Human Service Program

The City will allocate \$138,963 in CDBG Human Service funds, although the Human Service Commission held off making final funding recommendations, pending notification of the actual 2007-08 CDBG grant amount. Twenty four (24) programs submitted applications totaling \$324,796 in requests. Two new programs applied for funding this year, VTC Enterprises (\$20,750) and Good Samaritan Shelter (\$10,000). Staff is also recommending the continued funding of the Fair Housing Program under the Human Service Program, which is administered under a contract with the Legal Aid Foundation of Santa Barbara County.

3-Year Estimated Budget

Staff has drafted an estimated 3-year summary of revenue and potential expenditures for the CDBG program (Attachment #5). Since CDBG funds are dependent on federal appropriation levels, revenue estimates shown as probably a "best-case" scenario.

SUMMARY

Staff is requesting that City Council approve the draft estimated FY 2007-2008 budget for the Community Development Block Grant (CDBG), Human Services, and HOME with the understanding that if there are any changes to these budget figures, staff will provide them to Council. Final recommendations from the Human Service Commission will also be provided to Council for review at a later meeting. An announcement of this public hearing was published in the Lompoc Record on March 16, 2007. Signed HUD certifications, minutes of the Council meeting, and any public comments or written correspondence received concerning this public hearing, will be forwarded to the County, for inclusion in their submission to HUD.

Dinah Lockhart, Community Development Program Manager

APPROVED FOR SUBMITTAL TO THE CITY ADMINISTRATOR:

Arleen T. Pelster, AICP, Community Development Director

APPROVED FOR SUBMITTAL TO THE CITY COUNCIL:

Gary P. Keefe, City Administrator

Attachments:

1. Resolution 5390 (07) "Approval of the California Environmental Quality Act (CEQA) Environmental Compliance Program for the Lompoc Portion of the Santa Barbara County Annual Action Plan for FY 2007-08
2. The California Environmental Quality Act (CEQA) Environmental Compliance Program for the Lompoc Portion of the Santa Barbara County Annual Action Plan for FY 2007-08
3. 2007 CDBG Formula Allocation Estimate from the County
4. 2007-2008 Action Plan Project Summary CDBG, HOME, and Human Service Budget and Program Descriptions
5. CDBG Revenue Projections and Anticipated Projects