



STAFF REPORT

April 19, 2023
File Number 0830-20

SUBJECT

REVIEW AND AFFIRM COMMUNITY DEVELOPMENT BLOCK GRANT (“CDBG”), HOME INVESTMENT PARTNERSHIP PROGRAM (“HOME”) AND EMERGENCY SOLUTIONS GRANTS (“ESG”) PRIORITIES IN THE 2020-2024 CONSOLIDATED PLAN AND MAKE A SUBSTANTIAL AMENDMENT TO THE 2020 AND 2021 ANNUAL ACTION PLANS

DEPARTMENT

Development Services Department; Housing and Neighborhood Services Division

STAFF RECOMMENDATION

1. Provide direction on the funding priorities for CDBG and HOME activities for FY 2023-24
2. Adopt Resolution No. 2022-37, approving the substantial amendment to the 2020 and 2021 Annual Action Plans

Staff Recommendation: Provide Direction and Approval (Development Services: Andrew Firestine, Director of Development Services)

Presenter: Holly Nelson, LCSW, Housing and Neighborhood Services Manager

FISCAL ANALYSIS

The CDBG and HOME administrative expenses and program activities will be covered by the annual grant allocation. The U.S. Department of Housing and Urban Development (“HUD”) announced in late February 2023 that the City will not be a recipient of the ESG grant for Fiscal Year (“FY”) 2023-2024.

In light of the decision regarding ESG funds for FY 2023-2024, the community needs identified in this report are far greater than the City’s annual allocation provided by HUD. Additional funds should be identified and allocated to support low-and-moderate income households living in Escondido.

PREVIOUS ACTION

On May 20, 2020, the City Council approved the 2020-2024 Five Year Consolidated Plan (“2020 Con Plan”) which is a five-year plan that outlines the City’s goals and funding priorities for CDBG, HOME, and ESG through June 30, 2025. The City anticipates receiving close to \$13,000,000 from its annual allocation, program income and unused funding. Extensive public outreach and consultation, needs assessments, and market analyses on local data were conducted to determine the most critical community needs and strategic goals within the City of Escondido.



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BACKGROUND

The City of Escondido is considered an entitlement jurisdiction and receives an annual allocation from HUD that ranges from \$2.2 million to \$2.6 million dollars for the operations of its CDBG, HOME and ESG programs. The funding is determined by a formula calculated by HUD based on population, people in poverty, overcrowded units, population growth lag since 1960, and pre-1940 housing units from the American Community Survey (“ACS”). The City’s allocation can fluctuate year-to-year causing funding to increase or decrease in various programs.

As a recipient of the federal funds, the City is required to submit a Consolidated Plan, Annual Action Plan, and monitor its progress, outcomes, and expenditures through the Consolidated Annual Performance and Evaluation Report (“CAPER”).

Housing and Neighborhood Services Staff is looking to seek input and feedback from the public and City Council on which needs and subpopulations should be prioritized in the upcoming fiscal year. The City wants to ensure the priorities listed in this plan align with the current needs of the City while accomplishing its overarching strategic goals established within its five-year Consolidated Plan.

On February 27, 2023, HUD announced the City will receive \$1,446,858 in CDBG funds, \$712,111 in HOME funds, and \$0 in ESG funds for FY 2023-24. CDBG and HOME have strict guidelines on expenditures per category. For example, annual CDBG funds can be used to fund administrative expenses and planning (a maximum of 20% or \$289,371), public services (up to 15% or \$217,028) and capital improvement projects sponsored by either the City or by non-profit organizations (no maximum or \$940,459). HOME funds can be used to fund administrative funds (10%) and must fund 15% of its annual allocation to a Community Housing Development Organization (“CHDO”), a nonprofit organization that develops affordable housing. It is important to note that federal funds must not be used to supplant general fund spending and all funded projects must serve and benefit low- and moderate-income persons or areas in the community.

The City has a finite amount of resources it receives from HUD each year and is unable to fund all of the internal and external applicants who apply to the CDBG and HOME grants requesting assistance. Additionally, the Housing and Neighborhood Services Team has a limited number of staff assigned to the CDBG and HOME Programs. The team is comprised of four full-time employees who oversee more than 26 CDBG and HOME contracts, manage several multi-year construction projects, and work with outside consultants. The division has had two management analyst vacancies for the past six months which has hindered program growth and development.

As the City prepares to enter its fourth year of its five-year Consolidated Plan, City staff would like to provide a snapshot on the City’s five-year consolidated plan goals, funding allocations, and the percentage of goals completed to-date.



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Table 1: CDBG Priorities

Priority Need	Description	Funding	Goal	Percentage Completed
Homelessness services	<ul style="list-style-type: none"> • Homelessness prevention and diversion • Behavioral health services • Emergency shelters 	\$250,000	500 persons	24%
Basic Needs	<ul style="list-style-type: none"> • Food • Water • Shelter • Sanitation 	\$750,000	1,500 persons	56%
Health & Health Development	<ul style="list-style-type: none"> • Access to recreation education • Healthcare • Mental health 	\$500,000	750 households	200%
Neighborhood Revitalization	<ul style="list-style-type: none"> • Code compliance • Neighborhood outreach • Lighting • Sidewalks • Remove public infrastructure gaps 	\$6,000,000	Public Facilities Infrastructure: 10,000 households Public services activities: 200 households Housing Code Compliance: 1,000 households	149% 250% 102%
Economic Development	<ul style="list-style-type: none"> • Low and moderate employees and businesses • Workforce development 	\$195,000	Public services activity housing benefit: 1 household Job created:	0%



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	<ul style="list-style-type: none"> • Job creation • Adult education • Job training 		<p>1 Job</p> <p>Business assisted: 1 business</p>	
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Table 2: HOME Priorities

Priority Need	Description	Funding	Goal	Percentage Completed
Create and preserve affordable rental housing	<ul style="list-style-type: none"> • Creation and preservation 	\$1,327,000	Rental units rehabilitated: 15 household units	0%
Affordable ownership opportunities	<ul style="list-style-type: none"> • Conservation/expansion of affordable homeownership 	\$1,250,000	<p>Homeowner Housing Added: 10 household units</p> <p>Direct Financial Assistance to homebuyers: 5 households</p>	<p>0% *Not reported until built</p> <p>20%</p>



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Table 3: ESG Priorities

Priority Need	Description	Funding	Goal	Percentage Completed
Homelessness Prevention	<ul style="list-style-type: none"> To keep at-risk households from becoming homeless 	\$290,000	80 persons assisted	270%
Emergency Shelters	<ul style="list-style-type: none"> To temporarily house residents experiencing homelessness 	\$200,000	600 persons assisted	20%
Essential services to shelter residents	<ul style="list-style-type: none"> To provide basic needs and case management to residents living in an emergency shelter 	\$225,000	400 persons assisted	0%
Engagement of individuals and families experiencing homelessness	<ul style="list-style-type: none"> To conduct outreach to unsheltered people 	\$100	1 person assisted	0%
Rapid Re-housing	<ul style="list-style-type: none"> To provide permanent housing to households experiencing homelessness 	\$10,000	1 household assisted 1 person assisted	0%



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It is staff’s recommendation that the City Council prioritize funding opportunities to goals that have not yet been achieved in the five-year Consolidated Plan. Due to the limited number of staff and high number of contracts currently being managed, funding should be allocated in higher dollar amounts to maximize the community impact and reduce the administrative burden on City staff.

After the City Council has confirmed the City’s priorities for the upcoming fiscal year, Housing and Neighborhood Services staff will release a Request for Proposal (“RFP”) to notify possible internal and external subrecipients. A second public hearing will be held in May or June 2023 to review the applications received, evaluate staff’s recommendations and adopt the 2023 Annual Action Plan.

SUBSTANTIAL AMENDMENT

In reviewing past CDBG-funded projects and meeting with internal City leaders, City staff is recommending making a substantial amendment to eliminate the following three CDBG-approved projects of playground equipment, fitness court, and debris crew valued at \$932,040.

Project	Description	Funded Amount/Program Year	Barriers
Playground Equipment Replacement Projection	Replace playground equipment in four CDBG-eligible neighborhoods: Washington Park, Jesmond Dene, Westside and El Norte	\$775,000 2020 Annual Action Plan	Public Works received a large County grant to replace playground equipment that has an expenditure deadline in 2024. Staff is open to funding this project in the future, but due to other current funding needs, decided to reallocate the funds.
Fitness Court	Install a fitness court in Washington Park	\$130,040 2021 Annual Action Plan	This project was delayed due to the approval of the NEPA. The project was completed using an alternative funding source from Community Services.



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Debris Team	Hire part-time workers for encampment cleanup	\$52,000 2021 Annual Action Plan	Public Works experienced challenges finding and hiring part-time employees to fill the positions.
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Staff is proposing that City Council approve reallocating \$650,000 to fund two CDBG-approved projects that demonstrate project-readiness. Material costs have increased due to the pandemic and staffing changes have limited the City's ability to execute large-scale projects in the grant year they were awarded. Both of the CDBG-approved projects are high-dollar amounts and it would be beneficial to remove any obstacles toward execution, so the general contractor can spend down the grant award and complete the proposed project in a timely manner.

Project	Description	Funded Amount/Program Year	New Total
Creek Trail Fencing Project	Replacement of the fencing along Escondido Creek	Current funding: \$634,950 2021 Annual Action Plan	Re-allocate: \$250,000 Total: \$884,950
Old Escondido Lighting Project	Install and upgrade street lights within the "Old Escondido Neighborhood" from 2 nd to 9 th Avenue	Current funding: \$595,370	Re-allocate: \$400,000 Total: \$ 995,370

Each year, City staff is required by HUD to execute projects and expend funds in a timely manner. A CDBG-funded jurisdiction can have no more than 1.5x of its annual allocation by May of each year. According to HUD, this is known as a "timeliness test" and the City has historically had difficulty meeting this test. In 2020 and 2021, HUD offered many jurisdictions waivers on the timeliness test rule due to the pandemic; however, those exceptions are no longer in effect and formal notifications and warnings have been issued. The consequences of a jurisdiction not meeting HUD's timeliness goal can range from receiving a formal letter to developing a workout plan to losing future funds.



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City staff is committed to addressing this issue and expending funds in a timely manner and has been meeting with HUD staff on potential solutions. Accordingly, staff is recommending to reallocate projects that have had challenges executing and will return to the City Council in April 2023 to make another amendment. The goal of staff's present recommendation is to meet the community's needs while trying to prudently spend down its allocated resources.

RESOLUTIONS

- a. Resolution No. 2023-37