



STAFF REPORT

August 7, 2024
File Number 0873-01

SUBJECT

2024-2025 ANNUAL ACTION PLAN FOR DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (“HUD”) FUNDING FOR THE COMMUNITY DEVELOPMENT BLOCK GRANT (“CDBG”) AND HOME INVESTMENT PARTNERSHIP (“HOME”) PROGRAMS

DEPARTMENT

Development Services; Housing and Neighborhood Services Division

RECOMMENDATION

It is requested that the City Council conduct a public hearing to solicit and consider citizen input on the FY 2024-2025 HUD Annual Action Plan for the use of CDBG and HOME funds; and

Adopt Resolution No. 2024-110 approving Fiscal Year 2024-2025 HUD Annual Action Plan for use of CDBG and HOME Funds, conditionally commit funds to projects, authorize the Director of Community Development to execute contracts as appropriate and approve the submittal of the FY 2024-2025 Annual Action Plan to HUD.

Staff Recommendation: Approval (Development Services: Chris McKinney, Deputy City Manager and Interim Director of Development Services)

Presenter: Danielle Lopez, Housing and Neighborhood Services Manager and Dulce Salazar, Management Analyst

ESSENTIAL SERVICE – Yes, Keep City Clean for Public Health and Safety; Land Use/Development; Public Works/Infrastructure; Maintenance of Parks facilities/Open Spaces

COUNCIL PRIORITY – Eliminate Structural Deficit; Encourage Housing Development

FISCAL ANALYSIS

The City of Escondido (“City”) receives an annual federal entitlement from HUD for community development and housing activities. On May 7, 2024, HUD announced that the City will receive allocations of \$1,378,005 in CDBG and \$574,296 in HOME funds in Fiscal Year (“FY”) 2024-2025. CDBG funds will be used to support community development priorities, funding City-sponsored and community-based organizations in public services, capital, and neighborhood improvement projects. HOME funds will be used for the provision of affordable housing. HUD funds must assist the low- and moderate-income residents of Escondido and may not be used to supplant City funds. Funds may also be used to pay for



CITY of ESCONDIDO

STAFF REPORT

administrative and planning services, subject to regulatory limitations. The City was not awarded Emergency Solution Grant funds (“ESG”) in FY 2024-2025, which is a funding stream dedicated to funding activities like outreach, emergency shelter, homelessness prevention, rapid re-housing and data management, related to homelessness.

PREVIOUS ACTION

On May 20, 2020, the City Council held a public hearing and approved the [FY 2020-2024 Consolidated Plan](#) (“Con Plan”). The Con Plan established priorities for the use of CDBG, ESG and HOME funds over the five-year period ending June 30, 2025, to benefit low-income residents and neighborhoods in the City of Escondido.

On May 24, 2023, the City Council reaffirmed the 2020-2024 Consolidated Plan priorities and amended the Plan to include an additional public safety priority.

On May 8, 2024, the City Council held the first of two public hearings associated with the FY 2024-2025 Annual Action Plan to reaffirm the community development and housing priorities adopted in the 2020-2024 Five-Year Consolidated Plan and approve an allocation process that provides for the maximum allowable amounts for administrative costs and public service allocations.

BACKGROUND

The CDBG program is a block grant program that provides communities with resources to address a wide range of unique community development needs. The CDBG program works to ensure decent affordable housing and neighborhoods, to provide services to the most vulnerable in our communities, and to create jobs through the expansion and retention of businesses. Each CDBG activity must meet one of the following national objectives and one of the Con Plan priorities. Historically, Escondido projects have focused on the first national objective of benefiting to low- and moderate-income persons.

HUD National Objectives

- Benefit low- and moderate-income persons,
- Aid in the eliminate slums or blight, or
- Meet a particular urgent community need because existing conditions pose a serious threat and no other source of funds is available. This national objective is rare and is designated only for activities that alleviate emergency conditions, e.g., fire, flood, earthquake.

FY 2020-2024 CDBG Priorities, as amended on May 24, 2023

- Homeless Services: Support homeless shelter and other services.
- Basic Needs: Provide access to food, water, shelter, and sanitation.



CITY of ESCONDIDO

STAFF REPORT

- Health and Human Development: Provide access to recreation, education, and healthcare.
- Neighborhood Revitalization: Improve the livability of neighborhoods.
- Economic Development: to provide economic development opportunities to low-mod income residents and business.
- Public Safety: (added May 2023) Provide services to enhance the safety of residents in low to moderate income areas.

The HOME Program provides formula grants to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low-income people. Allocation recommendations for HOME-funded activities are included as Attachment 3.

FY 2020-2024 Housing Priorities

- Creation and preservation of affordable rental housing; and
- Conservation and expansion of affordable homeownership opportunities.

The City of Escondido is considered an entitlement jurisdiction and receives an annual allocation from HUD for the operations of its CDBG and HOME programs. The funding is determined by a formula calculated by HUD based on population, age of the city, poverty levels, etc. 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 five-year Consolidated Plan, an Annual Action Plan, required for each year of the Con Plan period, and monitor its progress, outcomes, and expenditures through the Consolidated Annual Performance and Evaluation Report ("CAPER").

Based on a community needs assessment and public participation, CDBG, HOME, and ESG priorities were identified and adopted as part of the FY 2020-2024 Five-Year Consolidated Plan. Each year, prior to adoption of the One-Year Action Plan, Council is asked to review and reaffirm the priorities and may choose to adopt changes at that time. Each year, an Annual Action Plan is developed to determine exactly how funds will be spent in order to meet the goals of the Con Plan.

After the City Council has confirmed the City's priorities for the upcoming fiscal year and pending City Council approval, Housing and Neighborhood Services staff release a Request for Proposal ("RFP") to notify potential internal and external subrecipients of the funding availability. The 2024-2025 RFP was posted to the City's website, advertised on BidNet, and emailed to the CDBG mailing list consisting of 41 service providers.

In response to the RFP, the City received 20 proposals, from both internal and external applicants totaling over \$3.9M dollars in requests, for \$1,102,404 available CDBG funds. Proposals were analyzed and scored



CITY *of* ESCONDIDO

STAFF REPORT

by Housing & Neighborhood Services staff on a 100-point scale based on agency information, capacity, and experience, project description, and financial information. These recommendations were presented to the Homeless Subcommittee on July 23, 2024, for feedback and funding recommendations. The Subcommittee provided comments and direction on which proposals to recommend to the City Council for inclusion in the 2024-2025 Annual Action Plan.

Citizen Participation and Public Outreach

In accordance with the Citizen Participation Plan, the City must conduct two public hearings to solicit and consider citizen input on the Annual Action Plan. The first public hearing was held on May 8, 2024, and the second will be held on August 7, 2024. The City Council actions on August 7, 2024, will identify specific programs and activities to be undertaken with FY 2024-2025 funds and conditionally commit funding. Final commitment is dependent on HUD's acceptance of the Action Plan, completion of a National Environmental Policy Act ("NEPA") environmental review, receipt of environmental clearance from HUD, provision of appropriate insurance verification, and acceptance of City contract terms.

The City released a public notice in the Escondido Times Advocate, on July 4, 2024, noticing a 30-day public comment period on the draft 2024-2025 One Year Action Plan for CDBG and HOME funds. Additionally, staff posted a copy of the draft Annual Action Plan on the Housing and Neighborhood Services Department website and made hard copies available at the front counter in City Hall. All applicants were notified of the draft Annual Action Plan. At the time of this report, City staff received no public comments, questions, or concerns on the priorities or plans.

During the open public comment period, City staff presented on the Annual Action Plan at two community meetings. The first was on July 25, 2024, to the Neighborhood Leadership Forum and the second was on July 26, 2024, at the Escondido Education COMPACT's CAFÉ Meeting. In addition to the CAFÉ meeting, a flyer requesting feedback was sent to CAFÉ's list serve of approximately 300 service providers. The flyer was also posted to the City's social media channels.

City staff also met with the City's Ad-Hoc Subcommittee on Homelessness on July 23, 2024, to provide an overview of the CDBG and HOME programs and discuss and receive feedback on recommended funding allocations. The Subcommittee provided direction on which proposals to recommend to the City Council for inclusion in the 2024-2025 Annual Action Plan.

HUD Timeliness Test

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



CITY of ESCONDIDO

STAFF REPORT

timeliness goal can range from receiving a formal letter to developing a workout plan, to losing future funds. The City of Escondido did not meet the timeliness test in FY 2023. This is the third year in a row that the City has not met this requirement. Staff are committed to addressing this issue and expending funds in a timely manner. Careful consideration was taken when selecting projects for recommendation for funding, to ensure we meet our timeliness test in May 2025.

Proposals

For FY 2024-2025, the City received 20 proposals totaling over \$3.9M dollars in requests, for \$1,102,404 available CDBG funds. The recommended agencies and funding amounts are found in the table below, and a more detailed list of proposed projects can be found in Attachment "4":

CDBG Funding Allocations for FY 2024-2025

Administration	CDBG Administration (20% Cap)		275,601.00
Public Service Applicants	Project Name	Recommended for Funding Yes/No	Funds Requested (15% Cap \$206,700.75)
Mama's Kitchen	Medically Tailored Meal Service	Yes	\$ 10,000
Community Services	Mobile Recreation Program	Yes	\$ 8,600
Community Services	Senior Cares Program	Yes	\$ 19,400
Voices for Children	Transitional Age Youth CASA Program	Yes	\$ 10,000
Project Next (Legal Name: The San Marcos Promise)	Focused Futures at Escondido High School	Yes	\$ 30,000
Legal Aid Society of San Diego, Inc.	Fair Housing Services	Yes	\$ 35,000
Interfaith Community Services, Inc.	Preventing Homelessness for City of Escondido Seniors	Yes	\$ 50,000
Center for Community Solutions	Hidden Valley House	Yes	\$ 35,000
Street Stewards, Inc.	Litter Abatement within Escondido	No	\$ 6,824
			\$ 198,000.00



CITY of ESCONDIDO

STAFF REPORT

Capital Applicants	Project Name	Recommended for Funding Yes/No	Funds Requested
Public Works Department/Parks Division	Poured-in-Place Rubber Surfacing in CDBG Parks	Yes	\$ 425,000
Engineering Division	Old Escondido Lighting-Juniper	No	\$ 400,000
Housing and Neighborhood Services	Neighborhood Cleanup	Yes	\$ 45,000
Urban Corps of San Diego County	Urban Corps Escondido Recycling Center Roof Repair	Yes	\$ 70,000
Economic Development	Growing a Bright Future-Enhancing Economic Opportunities	No	\$ 700,000
Code Compliance	Code Compliance Part-time Officers	No	\$ 115,000
WeeCare, Inc. (DBA Upwards)	BOOST (Business Operation & Optimization Support Tools)	Yes	\$ 314,404
Development Services/Engineering Division	Retaining Wall Rehabilitation at East 9th Ave	No - ineligible	\$ 150,000
Public Works/Streets	Graffiti Removal	No	\$ 109,000
San Ysidro Health	Solar Panel Project at San Ysidro Health-Escondido Family Medicine	No	\$ 843,387
Housing and Neighborhood Services	Minor Home Repair Program	Yes	\$ 50,000
			\$ 904,404.00

HOME Allocations for FY 2023-2024

Priority	Project	Allocation
Administration	HOME Administration (10% Cap)	\$57,429.60
Conservation and Expansion of Affordable Homeownership	Expansion of the Rental Subsidy Program to increase the rental subsidy from \$125 to \$150 per month and provide for 10 new households.	\$24,000



CITY *of* ESCONDIDO

STAFF REPORT

Preservation of Affordable Housing	Release an RFP for the provision of long-term affordable Housing development/first time home buyer opportunities within the City of Escondido.	\$492,866.40
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Conclusion

Staff recommends the City Council approve the HUD Annual Action Plan for FY 2024-2025 and authorize staff to submit the same to HUD. The deadline for the City to submit the FY 2023-2024 Annual Action Plan to HUD is August 16, 2023.

RESOLUTIONS

- a. Resolution No. 2024-110

ATTACHMENTS

- a. Attachment "1" – FY 2024-2025 Annual Action Plan
- b. Attachment "2" – Budget Adjustment
- c. Attachment "3" – FY 2023-2024 Proposed CDBG Allocations