



STAFF REPORT

August 9, 2023
File Number 0870-11

SUBJECT

ANNUAL ACTION PLAN FOR FISCAL YEAR 2023-2024 DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT ("HUD") FUNDING FOR THE COMMUNITY DEVELOPMENT BLOCK GRANT ("CDBG") AND HOME INVESTMENT PARTNERSHIP ("HOME") PROGRAMS

DEPARTMENT

Development Services Department; Housing and Neighborhood Services Division

RECOMMENDATION

Request the City Council adopt Resolution No. 2023-100, approving the CDBG and HOME Budgets for FY 2022-23, and adopt Resolution No. 2023-101, adopting the 2023-24 Action Plan for CDBG and HOME Budgets.

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

Presenters: Holly Nelson, LCSW, Housing & Neighborhood Services Manager and Rodrigo Carrasco, Management Analyst I

FISCAL ANALYSIS

The City of Escondido ("City") receives an annual federal entitlement from HUD for community development and housing activities. HUD announced on February 27, 2023 that the City will receive allocations of \$1,446,858 in CDBG and \$712,111 in HOME funds in Fiscal Year ("FY") 2023-2024. The City has received \$91,079 in residual receipt payments from HOME-funded projects that will be counted as HOME program income ("HOME PI") in FY 2023-2024. All internal and external subrecipients of such funds had to identify an alternative funding source to cover expenses between July 1, 2023 to the present while the Annual Action Plan was not approved. 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 can only 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. The CDBG and HOME administrative expenses and program activities will be partially covered by the annual grant allocation. The City was not awarded Emergency Solution Grant funds ("ESG") in FY 2023-2024, which is a funding stream dedicated to funding activities like outreach, emergency shelter, homelessness prevention, rapid re-housing and data management related to homelessness.



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PREVIOUS ACTION

On May 20, 2020, the City Council held a public hearing and approved the [FY 2020-2024 Consolidated Plan](#) ("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.

City staff released a public notice on February 16, 2023 for a 30-day public comment period requesting feedback on the City's CDBG, HOME and ESG priorities for FY 2023-24. City staff received no public comments related to Annual Action Plan.

The Public Hearing was noticed for the March 22, 2023 City Council Meeting, but the item was opened and continued to April 19, 2023, and then postponed until May 24, 2023. In the interim, City staff met with City's Ad-Hoc Subcommittee on Homelessness ("Subcommittee") on April 10, May 1, and May 9 to provide formal presentations on the history of CDBG, funding expenditures, the City's timeliness test, outcomes, open public services and capital improvement projects, and the challenges to the CDBG program. On May 24, 2023, the City Council held a public hearing to reaffirm the City's CDBG and HOME priorities for FY 2023-24. A 10-day notice was issued to the community notifying them of the public hearing. The Subcommittee and City Council recommended prioritizing proposals that address and respond to homelessness. As a result of this request, City staff weighted the proposals by 10 points if the interested subrecipient had a project that addressed the City's need of homelessness. On June 5, 2023, City Staff released Request for Proposals No. 23-26 ("RFP") for the CDBG program for FY 2023-2024. City staff sent personalized emails to 46 recipients on the CDBG mailing list, posted the RFP on BidNet and the City's Finance Purchasing website, and sent a memo to department leadership with the application. City staff also announced the funding opportunity at the North County Community Leadership Team Meeting on June 7, 2023 which had over 100 people present. All interested applicants were invited to attend a pre-application meeting over Zoom to review the proposal and questions. City staff had elected to hold its first pre-application meeting, because the proposal and questions had changed drastically from the previous year to align with the City's RFP standards. City had 12 service providers in attendance. Questions generated from the RFP and meeting were posted on the City's website as well as the recorded copy of the meeting. The RFP was open for 17 days and closed on June 21, 2023.

In response to the RFP, the City received 23 proposals from both internal and external applicants. Proposals were analyzed and scored by Housing & Neighborhood Services staff on a 100-point scale based on agency information, capacity, experience, project description, financial information and the City's priority of homelessness. These recommendations were presented to the Subcommittee on June 28, 2023.



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for feedback and funding recommendations. The Subcommittee provided direction on which proposals to submit to City Council for the Annual Action Plan for FY 2023-2024.

The City released a 30-day public notice in the Escondido Times Advocate on July 6, 2023 and posted a copy of draft the Annual Action Plan on the Housing and Neighborhood Services Department. All applicants were notified of the draft Annual Action Plan and City staff called applicants who were not recommended for funding.

During the open public comment period, City staff held three presentations on the Annual Action Plan on July 20th to the Old Escondido Neighborhood Group; on July 27th to the Neighborhood Leadership Forum; at and Escondido Education COMPACT's CAFÉ Meeting on July 28th.

BACKGROUND

The Con Plan is a federally-required document for communities that receive federal HUD funds. The Plan provides a comprehensive, strategic framework for a community to establish a unified vision and action plan to address the needs of low- and moderate-income individuals, families and neighborhoods. The goals of CDBG, ESG, and HOME programs included in the Con Plan are to provide decent housing, provide services to households experiencing homelessness, provide a suitable living environment, and expand economic opportunities.

Fourth Year Annual Action Plan (FY 2023-2024)

The one-year action plan, required for each year of the Con Plan period, determines the specific goals, objectives and performance benchmarks for activities for a single year and will specify how CDBG and HOME funds are spent. Projects must address the Con Plan priorities. 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 draft FY 2023-2024 Action Plan is posted on the City's website at <https://escondido.org/housing-and-neighborhood-services> (Attachment 1).

This City Council action will identify specific programs and activities to be undertaken with FY 2023-2024 funds and conditionally commit funding. Approval of the funding for the programs would require a budget adjustment (Attachment 2) for the CDBG and HOME programs. Final commitment is dependent on HUD's acceptance of the Action Plan, completion of a National Environmental Policy Act ("NEPA") environmental review, provision of appropriate insurance verification, and acceptance of City contract terms. The deadline to submit the Annual Action Plan by HUD is August 16, 2023.

CDBG Funds

The CDBG program provides low- and moderate-income persons and areas with resources to address a wide range of unique community needs. The CDBG program works to ensure decent affordable housing



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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 for the program: benefit low- and moderate-income (“LMI”) persons, prevent or eliminate slums or blight, or address an urgent community development need. Additionally, funds must align with at least one of the City’s CDBG priorities.

FY 2023-2024 CDBG Priorities are:

1. Homeless Services: Support homeless shelter and other services.
2. Basic Needs: Provide access to food, water, shelter, and sanitation.
3. Health and Human Development: Provide access to recreation, education, and healthcare (including mental health).
4. Neighborhood Revitalization: Improve the livability of neighborhoods.
5. Economic Development: to provide economic development opportunities to low-mod income residents and business.
6. Public Safety: Improve safety for all residents.

The City will receive \$1,446,858 in CDBG entitlement funds for FY 2023-2024 which is a 7% decrease from FY 2022-2023. 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. According to HUD’s rules, no more than 20% of entitlement funds (\$289,372) may be expended for administrative activities and no more than 15% (\$217,029) may be used for public service activities. There is no cap for funding capital projects with the CDBG entitlement funds.

As a recipient of CDBG funds, the City is also required to take steps to affirmatively further fair housing within its jurisdiction as part of the obligation it assumes when it accepts these funds. Fair housing activities prevent discrimination as defined in the Fair Housing Act (Title VIII of the Civil Rights act of 1968) and subsequent amendments. Fair housing services are allowable under Public Service or Administration. For the FY 2023-2024 CDBG program year, the City funds fair housing services as a public service through the Legal Aid Society of San Diego, which provides outreach, education, legal representation to LMI Escondido residents to prevent housing discrimination.

Each year, the City must develop an Action Plan that describes all the activities the City plans to carry out that year. Eligible projects considered include internal City projects and external projects from non-profit,



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for profit, faith-based organizations, and other. The applications received for the FY 2023-2024 CDBG program are included in Attachment 3.

For FY 2023-2024, the City received 23 applications totaling over \$3.1M dollars for \$1,157,485 available CDBG funds. Twelve internal/external agencies applied for \$217,029 dollars in public service funding. Eleven internal/external agencies applied for capital improvement and neighborhood revitalization activities. The recommended agencies and funding amounts are found in the table below, but a more detailed list of proposed projects can be found in Attachment 4:

CDBG Funding Allocations for FY 2023-2024

Applicant	Project Name	Activity	Allocation
Mama's Kitchen	Medically Tailored Meal Service	Public Service	\$7,500
Community Services Dept.	Senior Cares	Public Service	\$16,000
Project Next	Future Ready Program	Public Service	\$30,000
Housing and Neighborhood Services	Neighborhood Cleanup	Capital Project	\$33,804
Center for Community Solutions	Hidden Valley House	Capital Project	\$35,000
Legal Aid Society of San Diego, Inc.	Fair Housing Services	Public Service	\$35,000
The Alabaster Jar Project	Critical Care Therapeutic Services to Human Trafficking Survivors Program	Public Service	\$50,000
Code Compliance	Part-time Code Compliance Officers	Capital Project	\$107,723
Public Works Dept.	Graffiti Eradication	Capital Project	\$107,723
WeeCare, Inc.	Business Operation & Optimization Support Tools	Capital Project	\$112,500
Community Services Dept.	Washington Park Pool	Capital Project	\$197,237
Engineering	Old Escondido Lighting	Capital Project	\$425,000



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HOME Funds

The City will receive \$712,111 in HOME funds for Fiscal Year 2023-24 and \$91,079 HOME PI totaling \$803,190. HUD 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. The City may allocate 10% of a new HOME allocation, interest, and program income derived from loan repayments for administration. A minimum of 15% of the annual allocation of HOME Program funds must be reserved for the housing development activities of Community Housing Development Organizations ("CHDOs"). A total of 5% of the HOME grant may, but is not required to, be used to provide operating funds to certified CHDOs. Federal regulations state that HOME Program funds must be committed within two years and expended within five years of allocation; recent guidance from HUD has relaxed the commitment deadline, but not the expenditure deadline. Allocation recommendations for HOME-funded activities are included as Attachment 5.

FY 2020-2024 Housing Priorities

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

HOME Allocations for FY 2023-2024

Priority	Project	Allocation
Administration	Fund administrative expenses for staff, professional services, office supplies and trainings	\$80,319
Conservation and Expansion of Affordable Homeownership	Fund two first-time homebuyer with a loan of up to \$25,000 per household	\$50,000
HOME Requirement	CHDO Set-Aside (15% of total allocation)	\$120,469
Preservation of Affordable Housing	Release an RFP for to rehabilitate 15 affordable, multifamily units within the City of Escondido	\$552,392



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Public Meetings and Resident Feedback

City staff presented at three community meetings: the Old Escondido Neighborhood Meeting on July 20, 2023 Neighborhood Leadership Forum on July 27, 2023, and the Escondido Education COMPACT's CAFE Meeting.

On July 28, 2023. Between the three meetings, the City had over 45 people in attendance. The Annual Action Plan was presented with the proposed funding recommendations and staff solicited feedback from the groups. Community members seem to agree with the proposed plan. Two people expressed support for the child care project and one person stated she was contemplating opening her own in-home child care program and would welcome the tools and business support. The Old Escondido Neighborhood group expressed appreciation for the phase two of the lighting project on Juniper, but stated the number streets also need lighting. Residents said the neighbors would prefer walking on the side streets to go to downtown versus the busy street on Juniper. One resident expressed a comment in support of developing a teen drop-in center, another person mentioned adding more public restrooms, another stated they would like to see a traffic light added near Washington & Fig where Mission Middle School students unsafely cross the streets, address food insecurity and access for students during the summer break, and the last person asked to expand the walking paths near Escondido Creek. Most of the group was supportive of creating more affordable housing and helping homeowners with first-time homebuyer loans.

Conclusion

Staff recommends the City Council approve the HUD Annual Action Plan for FY 2023-2024 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. It is critical the City Council approve the AAP with the recommended allocations from the Ad Hoc Homelessness Subcommittee, as the City is at risk of losing the \$1,446,858 allocation of federal funds. City staff anticipates returning to the City Council in fall 2023 to review and amend previous programs.

RESOLUTIONS

- a. Resolution No. 2023-100
- b. Resolution No. 2023-101

ATTACHMENTS

- a. Attachment 1 – FY 2023-2024 Annual Action Plan
- b. Attachment 2 – Budget Adjustment
- c. Attachment 3 – CDBG Proposals
- d. Attachment 4 – FY 2023-2024 Proposed CDBG Allocations
- e. Attachment 5 – FY 2023-2024 Proposed HOME Allocations