



STAFF REPORT

June 15, 2022
File Number 0870-11

SUBJECT

ANNUAL ACTION PLAN FOR FISCAL YEAR 2022-23 DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT ("HUD") FUNDING OF COMMUNITY DEVELOPMENT BLOCK GRANT ("CDBG"), HOME INVESTMENT PARTNERSHIP PROGRAM ("HOME") FOR AFFORDABLE HOUSING ACTIVITIES AND EMERGENCY SOLUTIONS GRANTS ("ESG")

DEPARTMENT

City Manager Office; Housing and Neighborhood Services Division

RECOMMENDATION

Request the City Council adopt Resolution No. 2022-75 approving the CDBG and HOME budgets and allocations, and adopt Ordinance No. 2022-11 authorizing the Deputy City Manager to execute contracts with service providers. It is also requested that the City Council adopt Resolution No. 2022-84 approving the FY 2022-2023 One-Year Action Plan to HUD.

Staff Recommendation: Approval (City Manager Office: Rob Van De Hey, Deputy City Manager/ Director of Information Systems)

Presenters: Holly Nelson, Housing and Neighborhood Services Manager; and Johnathan Lung, Management Analyst

FISCAL ANALYSIS

The City of Escondido ("City") receives an annual federal allocation from HUD for community development, housing and homelessness activities. HUD published allocations for local jurisdictions for FY 2022-23 on May 13, 2022. The City will receive \$1,548,067 in CDBG funds (10% decrease from 2021) and \$706,529 in HOME funds (13% increase from 2021). The City will not receive an allocation of ESG funds for FY 2022-23 which addresses homelessness. The ESG funding is based on a formula evaluating geographic size, population, and poverty rates. City staff is having active discussions with HUD to determine the reason why funding was not allocated.

It is important to note that HUD funds must assist the low-income residents of Escondido and may not be used to supplant previously allocated City funds. Funds may also be used to pay for administrative and planning services, subject to regulatory limitations.



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PREVIOUS ACTION

On May 20, 2020, the City Council approved the 2020-2024 Five Year Consolidated Plan ("2020 Con Plan"), which established priorities for the use of CDBG, HOME and ESG federal funds over the five-year period, ending in June 30, 2025, to benefit low-income residents and neighborhoods in the City (Attachment 1).

The goals outlined in the 2020 Con Plan are reflected in the City's current funding priorities for FY 2022-23 and reflects the community's highest priorities: homelessness, public infrastructure, community facilities, housing supply and services, community services, and neighborhood services.

On January 26, 2022, the City Council held the first of two public hearings associated with the FY 2022-23 Annual Action Plan to reaffirm the homelessness, housing and community priorities identified in the 2020 Con Plan. The second public hearing will be held on June 15, 2022.

BACKGROUND

The City receives annual federal entitlement grants from HUD for community development (CDBG) and housing (HOME) activities. The City was a recipient of ESG funds from 2016 to 2022. In 2020, the City received additional funding allocations for CDBG-CV and ESG-CV funds to prevent, prepare for, and respond to, impacts of the COVID-19 pandemic.

In order to receive funds, the City must develop a five-year Consolidated Plan ("Con Plan") and create an Annual Action Plan. The 2020 Con Plan helps bring community needs and resources together to achieve goals that address decent housing, homelessness, and expand economic opportunities for City residents, particularly for low-income persons.

The City Council confirmed the 2020 Con Plan priorities and priority emphasis on January 26, 2022, and a Request For Proposal ("RFP") was released by the City on January 31, 2022 for CDBG and ESG funds. The proposal was published on the Housing and Neighborhood Services' website and City staff emailed the proposal to 55 different service providers, nonprofits, developers and grassroots organizations in San Diego County. The agencies notified had previously expressed an interest in receiving funding updates.

To expand its outreach efforts and attract new applicants, the City worked with the Regional Task Force on Homelessness who emailed the CDBG and ESG application to over 1,200 recipients on February 1, 2022.

City Staff created a new, internal CDBG application to expand access to different city departments. Staff presented the information at a citywide department leadership meeting in February 2022 and released a staff memo.



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Twelve proposals were submitted by nonprofit organizations and nine proposals were submitted by City department heads for CDBG-funded activities, and two proposals were submitted by nonprofit organizations for ESG-funded activities.

Today's City Council actions will identify specific programs and activities for FY 2022-23 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), receipt of environmental clearance from HUD, provision of appropriate insurance verification, and acceptance of City contracts. Projects are anticipated to start on July 1, 2022.

CDBG Funds

The CDBG program is a flexible block grant program that provides communities with resources to address a wide range of community 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 for the program: benefit low- and moderate-income persons, prevent or eliminate slums or blight, or address community development needs having a particular urgency. The City will receive \$1,548,067 in CDBG entitlement funds for FY 2022-23 which is 10% decrease from FY 2021-2022. CDBG funding is down not only in local jurisdictions but also nationwide. It is important to note out of the \$1,548,067 no more than 20% of entitlement funds (\$309,613) may be expended for administrative activities and no more than 15% (\$232,210) may be used for public service activities.

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 services are allowable under Public Service or Administration and by utilizing Administration funds, the City is able to fund more programs under Public Services. Staff recommends renewing Legal Aid Society of San Diego's services at \$35,000 for fair housing services using administrative funds.

FY 2020-2024 Community Development Priorities

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-moderate income residents and businesses.

Each year, the City must develop an action plan that describes all the activities the City plans to carry out that year. Both City-sponsored and non-profit-sponsored projects may be considered. This year, the City



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received at total of 25 proposals (12 proposals from outside agencies and 13 proposals from internal City Departments) for FY 2022-23 CDBG funding. The 15 public service fund requests were: (1) Meals on Wheels is requesting \$25,000 for its in-home meal delivery to moderate and low-income seniors; (2) San Diego Children's Discovery Museum is requesting \$10,000 to provide free or reduced cost memberships to the museum; (3) Alliance for Regional Solutions is requesting \$60,000 for its Bridge Housing Network providing year round shelter and services for homeless individuals; (4) Voices for Children is requesting \$10,000 for direct advocacy, assessment and ongoing case monitoring for Escondido foster youth; (5) Palomar Family Counseling Service is requesting \$22,333 to promote mental and behavioral health of high school youths affected by the effects of the COVID-19 pandemic; (6) Mama's Kitchen, is requesting \$7,500 for its in-home meal delivery to critically-ill Escondido residents; (7) Center for Community Solutions, a new applicant, is requesting \$25,000 to operate a 24/7 emergency domestic violence shelter and provide accompanying services; (8) Interfaith Community Services is requesting \$198,099 to provide an emergency family shelter and accompanying services; (9) Legal Aid Society of San Diego is requesting \$35,000 to provide fair housing services; (10) Solutions for Change is requesting \$15,000 to support their Workforce Development program which provides homeless families with education to assist with long-term housing stability; (11) Community Services is requesting \$56,100 for senior nutrition, (12) Community Services is requesting \$34,610 for low-cost transportation program, (13) Community Services is \$16,000 for Senior care; (14) Community Services is requesting \$15,000 for aquatic safety; and (15) Planning Division is requesting \$20,000 for translation services for the 2022 General Plan Amendment.

The 10 capital improvements and neighborhood revitalization proposals submitted were: (1) Engineering Division is requesting \$8,500,000 for flood mitigation for 450 homes; (2) Community Services is requesting \$175,000 for Hoffman House restoration repairs recommended in the Historic Structure Assessment Report; (3) Escondido Education COMPACT is requesting \$284,600 to rehabilitate a building to create a center for youth and families; (4) Housing & Neighborhood Services is requesting \$231,956 to add funds to the Homeless Resource Center; (5) Public Works is requesting \$200,345 for 7-day a week graffiti removal; (6) Code Enforcement is requesting \$115,000 for four part-time code enforcement officers; (7) Boys & Girls Club is requesting \$75,000 for playground equipment; (8) Housing & Neighborhood Services is requesting \$75,000 for the Grants to Block program; (9) Housing & Neighborhood Services is requesting \$25,000 for Project NEAT; and (10) Public Works is requesting \$18,000 for water bottle refill stations in local parks.

Staff reviewed the applications for completeness and eligibility. Criteria for the review includes, but is not limited to, a pre-award risk assessment based on subrecipient history, complexity of the project, funding and budget appropriateness, experience, and compliance with federal criteria. Specific allocation recommendations for CDBG-funded activities are described below (Attachment 2).

Proposed Public Service Activities (\$231,553)

Senior Nutrition, Senior Transportation and Senior Care (\$106,720)



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The City's Community Services Department addresses basic needs for seniors. These programs include a reduce or free lunch program (\$56,100), low-cost transportation program (\$34,610), and care coordination and helping vulnerable seniors get bridged to resources to improve quality of life at the Park Avenue Community Center (\$16,000). These programs address the Con Plan's Basic Need CDBG priority. City staff did receive a public comment requesting CDBG funding for the "senior meals program, the legal and tax assistance program and many art and recreation activities."

Alliance for Regional Solutions (\$45,000)

The Alliance for Regional Solutions is a collaboration of North County organizations addressing homelessness. The Bridge to Housing Committee of the Alliance is a collaboration of providers who offer short-term housing solutions, case management and services directed at navigating North County's homeless men, women, and families towards permanent housing and self-sufficiency. This program addresses the Con Plan's Homelessness Services priority.

Center for Community Solutions Emergency Shelter for Domestic Violence Survivors (\$25,000)

Center for Community Solutions' emergency shelter provides 24/7 emergency domestic violence shelter at Hidden Valley House to prevent homelessness, meet basic needs, and connect domestic violence survivors to mental health services. This program addresses the Con Plan's Homelessness Services priority. Center for Community Solutions would be a new City CDBG funding recipient.

Meals-on-Wheels of San Diego County Meal Delivery Program (\$25,000)

Meals-on-Wheels Program provides daily delivery of up to two nutritious meals a day to the home, accompanied by a daily safety check, in-home social visit, and care navigation. This program addresses the Con Plan's Basic Needs CDBG priority by addressing food insecurity for homebound seniors and people with disabilities. Meals on Wheels has received CDBG funds since 2005.

Palomar Family Counseling Services Healthy Minds, Thriving Youth (\$22,333)

Palomar Family Counseling Services' program, Health Minds, Thriving Youth, provides mental health therapy to high school-aged youth living in Escondido in order to reduce the psychosocial stressors related to the pandemic, such as depression, anxiety, isolation, loss and financial hardship. Mental health treatment is limited and very impacted. Adding this resource will help improve access and behavioral health care to low-income youth. This program addresses the Con Plan's Health and Human Development priority which includes mental health.



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Mama's Kitchen Home Delivered Meal Service: Escondido (\$7,500)

Mama's Kitchen's Home-Delivered Meal Service provides medically tailored meals to low-to-moderate income Escondido residents facing critical illnesses such as cancer, type 2 diabetes, congestive heart failure and chronic kidney disease. Funding would allow Mama's Kitchen to expand services in Escondido. This program addresses the Con Plan's Basic Needs priority.

Proposed Capital Improvement and Neighborhood Revitalization Activities (\$1,006,901)

Escondido Education COMPACT Success Center (\$284,600)

Escondido Education COMPACT is requesting funds to rehabilitate a City-owned building to create a center for youth and families in Escondido. The project will be completed in two phases and staff anticipates the center will offer group meetings, counseling and additional programming and resources in employment, mental health and substance use, parenting, and homelessness prevention. This program addresses the Con Plan's Health and Human Development priority.

Homeless Resource Center (\$231,956)

The City Council approved \$552,289 in FY2020-21 to create a homeless navigation/day center. Over the past two years, CDBG funds have been reallocated to other projects and the day center currently has a budget of \$160,000. City staff has been in discussion with service providers and citizens regarding the creation of a one-stop center where individuals and families who at-risk or experiencing homelessness can go to access housing, service providers and access basic needs. It would be a "hub" for different providers to offer services, such as employment, legal, health education, benefits, social security and to help the most vulnerable streamline services and access care. This program addresses the Con Plan's Homelessness priority.

Graffiti Removal (\$200,345)

The Graffiti Removal Project provides funding for graffiti removal 7-days a week in qualifying low-mod income census tracts and applies only to private properties. CDBG funds can be used to remove graffiti from private homes, garages, fences and exterior surfaces of businesses. This project addresses the Con Plan's Neighborhood Revitalization CDBG priority.

CDBG-Funded Code Enforcement (\$115,000)

CDBG-funded neighborhood revitalization efforts would include funding for four part-time Code Enforcement Officers to work in commercial and residential areas of CDBG-eligible census tracts. The officers will address code issues relating to business licensing, illegal signage and other appearance and



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compliance issues generally associated with commercial and residential areas. This project addresses the Con Plan's Neighborhood Revitalization CDBG priority.

Boys and Girls Club Playground Equipment (\$75,000)

The Boys and Girls Club is requesting funds to replace its outdoor playground at the Conrad Prebys Escondido Branch. The playground equipment is 20-years old and is deteriorating due to weather and frequent use. This branch has 398 members and local schools that use this equipment for recreation. This project addresses the Con Plan's Neighborhood Revitalization priority.

Grants to Blocks (\$75,000)

This program addresses the need to fund multiple, small neighborhood revitalization projects and right-of-way enhancement mini grants associated with street improvement projects in associated with CDBG-funded code enforcement. Efforts are focused in City's 18 organized Neighborhood Group areas. This project addresses the Con Plan's Neighborhood Revitalization priority.

Project NEAT (\$25,000)

The goal of Project NEAT (Neighborhood Enhancement, Awareness and Training) is to improve the appearance and safety of neighborhoods through mediation, education and fostering relationships with neighbors. Project NEAT proactively works with organized neighborhood groups to resolve potential code compliance issues, mostly with regard to yard maintenance and other appearance-related issues, before they reach the level of code enforcement cases. This project addresses the Con Plan's Neighborhood Revitalization CDBG priority.

Water Bottle Refill Stations (\$18,000)

This activity will install four water bottle refill stations at local community parks. City staff reports the water fountains are frequently broken and need repair. Adding new refill stations will promote access to clean drinking water and reduce the negative impact of single-use plastics on the environment. This project addresses the Con Plan's Basic Needs priority.

HOME Funds (\$706,529)

The City will receive \$706,529 in HOME funds for Fiscal Year 2022-23 (Attachment 3). The HOME program increases the availability, quality, and access to affordable and decent housing for low-income residents. HUD provides formula grants to fund a wide range of activities including building, buying, or rehabilitating affordable housing for rent, homeownership or providing direct rental assistance to low-income people. The City may allocate 10% of new HOME allocation, interest, and program income derived from loan repayments for administration costs. A minimum of 15% of the annual allocation of HOME Program funds



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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.

FY 2020-2024 Housing Priorities

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

Creation and Preservation of Affordable Rental Housing (\$585,876)

This priority relates to the improvement of the supply of rental housing in the City to meet the needs of Escondido residents. Overpayment for housing is a widespread housing problem in Escondido, especially among lower-income renters. Additionally, the rate of overcrowding is especially acute for large renter households. The City of Escondido has 3,171 people on the County’s waiting list for the Housing Choice Voucher Program commonly referred to as Section 8. The majority of applicants are large families with five or more people, individuals with a disabling condition, and small families.

The City plans to release a Request for Proposal “RFP” to create affordable housing development through new construction or acquisition/rehabilitation for households at 30% of the Area Median Income (“AMI”). In order to meet this goal, HOME funding and recycled Housing Set-Aside/Successor Housing Agency (“SHA”) funds will be used as leverage to other funding sources, such as Low-Income Tax Credits.

Conservation and Expansion of Affordable Homeownership Opportunities (\$50,000)

This priority relates to the need for homeownership in Escondido. The rate of homeownership in Escondido is 51%, which is lower than the 55% state and 66% national averages as reported by the United States Census Bureau.

The City developed the Homebuyer Entry Loan Program (“HELP”) to assist first-time homebuyers in the purchase of their homes in 1996. The City’s First Time Homebuyer Program provides down payment and/or closing cost assistance to households earning up to 80% AMI. The program provides a deferred payment loan for the lessor of 5% of the purchase price, up to \$25,000.

The First Time Homebuyer Program remains very popular in the community. Housing and Neighborhood staff receives multiple phone calls a week regarding the program. Although the public interest is there, the City has faced challenges, which have led to a decline in loan applications and the overall number of issuance of loans than previously anticipated. Some of the program’s major challenges continue to be an overall lack of housing inventory and strict federal regulations on income levels and maximum purchase



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price limits. Prices for a single-family home have increased significantly over the past years, exceeding HUD's annual maximum value limit of \$518,000. No households were served in FY2021-22 in the program.

The City recognizes this program is important for low-to-moderate income households who are trying to pursue homeownership; however, a comprehensive evaluation of the program needs to be conducted to understand how the City can improve the existing homebuyer program following responsible underwriting and lending standards, ensuring low-income homebuyers are able to afford and sustain homeownership long term. The City's goal is to assist two households with down payment and/or closing cost assistance in FY2022-23.

ESG Funds (\$0 – No funds are expected in FY2022-23)

The purpose of the ESG program is to help individuals and families who are at-risk or experiencing homelessness through prevention, street outreach, emergency and rapid rehousing resources. ESG is a formula grant program and eligible recipients generally consist of metropolitan cities, urban counties, territories, and states. The ESG funding formula is based on geographic size, population, and poverty rates. All recipients must consult with their local Continuum of Care to determine how to subgrant ESG funds.

According to HUD's Community Planning and Development Formula Program Allocation published on its website on May 13, 2022, the City will not receive any ESG funds for FY 2022-23. The City has not received any written formal notification from HUD stating that the funds have been eliminated. City staff is in close contact with its HUD Representative who are requesting a full explanation from HUD's Office of Special Needs Assistance Programs to determine why ESG funds have ended.

The City of Escondido is one of three cities in San Diego County to receive ESG funding. The other two cities, Chula Vista and San Diego, are projected to receive ESG funds in FY 2022-23. The City has been a recipient of ESG funds since 2016 and received an annual allocation of \$155,124 in FY 2021-22.

The City released an RFP in February 2022 for ESG program funding for FY 2022-23. City staff received two applications from Interfaith Community Services and Escondido Education COMPACT. After reviewing both applications carefully, staff recommended funding COMPACT's homeless prevention program to help families at-risk of experiencing homelessness with children age 10-18 in Escondido. According to the Escondido Unified School District, the district K-8th grade has 1,080 students reported housing insecurity and qualify for McKinney-Vento Services.

City staff has notified Escondido Education COMPACT of the projected ESG funds and stated they are unable to fund the program unless alternative funding is identified. City staff will continue to explore alternative funding opportunities through the County, State and Federal government to address this need.



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ORDINANCES

- a. Ordinance No. 2022-11

RESOLUTIONS

- a. Resolution No. 2022-75
- b. Resolution No. 2022-84

ATTACHMENTS

- Attachment 1: Map of CDBG-Eligible Census Blocks
- Attachment 2: Proposed CDBG Allocations for FY2022-23
- Attachment 3: Proposed HOME Allocations for FY2022-23