



Item #: 4.C.

CITY COUNCIL AGENDA REPORT

MEETING OF MAY 14, 2009

FROM: COMMUNITY DEVELOPMENT DEPARTMENT
DATE: April 29, 2009
SUBJECT: PUBLIC HEARING REGARDING POSSIBLE ACTIVITIES TO BE FUNDED WITH
2009 COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) FUNDS

Recommended Action: That the City Council conduct the required public hearing in order to receive input from the public regarding uses and activities to be included in any 2009 Community Development Block Grant (CDBG) applications submitted by the City.

BACKGROUND

Each year, the City of Capitola is eligible to apply for grant funding from the State's Department of Housing and Community Development (HCD) CDBG Program to assist with affordable housing and economic development programs. HCD has just released a Notice of Funding Availability (NOFA) for the "General" CDBG allocation. Separate funding notices and applications will be released for the Planning and Technical Assistance (P/TA) allocation in June 2009, and for the Economic Development allocation in October 2009. A full description of each of the CDBG funding categories, and the activities eligible for funding under each, is provided later in this report.

All CDBG funds must be used for activities that meet national objectives. The three CDBG national objectives include:

- 1) Targeted Income Group (TIG) Benefit. All projects funded through the CDBG Program shall principally benefit the Targeted Income Group. This means that at least 51% of the beneficiaries are required to be TIG persons or households with incomes that are 80% or less of the adjusted area median family income.
- 2) Preventing blight. A project which aids in the prevention or elimination of slums or blight.
- 3) Meeting an urgent need of recent origin (serious, immediate threats to community welfare).

DISCUSSION

Prior to submitting funding applications, the CDBG program requires two public hearings be held to provide opportunities for citizen participation. This public hearing is intended to serve as the first Pre-Application hearing for the 2009 calendar year. A notice of this public hearing was published in the Santa Cruz Sentinel on Saturday, May 2, 2009. A second public hearing is required prior to submitting any applications to the State HCD. In accordance with CDBG program regulations, the first Pre-Application public hearing must be held when the City is in the process of deciding which local projects or activities it may wish to assist with CDBG funding.

Staff plans to return to the May 28, 2009 City Council meeting with recommendations regarding upcoming CDBG applications.

Explanation of State CDBG Program

The State of California CDBG Program allocates federal CDBG funds, on a competitive basis, to small cities and counties who do not receive "entitlement" CDBG funds directly from the federal government. The primary national objective for the CDBG Program is the development of viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for TIG households earning less than 80% of median income.

There are four different CDBG grant funding programs: the General and Native American Allocation, the Economic Enterprise Fund, the Economic Development "Over the Counter" Allocation, and the Planning and Technical Assistance Allocation. Each of these programs has specific regulations, including maximum award limits and application deadlines.

General and Native American Allocation: These grants are awarded via a **competitive** process, and jurisdictions may submit applications for up to approximately \$500,000. The three major activity categories where the City can be competitive are:

- Housing New Construction
- Housing Acquisition (purchase existing permanent housing)
- Housing – Rehabilitation (rehabilitation of owner and renter occupied units)

Economic Enterprise Fund: This allocation is awarded via a **competitive** process, and jurisdictions may submit applications for up to approximately \$500,000. The intent of this program is the creation or retention of permanent private sector jobs for TIG persons. Funding is available to projects that will directly create jobs for TIG persons, based upon a grant of \$35,000 of CDBG funds for each full-time job created by the activity. Typical activities that may be funded by a jurisdiction's Enterprise Fund include:

- Loans to private businesses and developments
- Grants for public improvements
- Micro-enterprise lending for small businesses

Economic Development "Over the Counter" Allocation: The intent of this program is similar to the Economic Enterprise fund with the goal to create or retain permanent private sector jobs for TIG persons. Funding is available to projects that will directly create jobs for TIG persons, based upon the same threshold of \$35,000 for each full-time job created or retained. However, Economic Development Over-the-Counter grants are awarded on a **first-come-first-served** basis, to eligible projects. In other words, if the project meets all applicable eligibility criteria, then funding is provided as it is available. Applications are received continuously through the year. Award amounts can be as high as \$2,500,000 per year.

Planning and Technical Assistance (PTA): This allocation provides funding for studies, planning and technical assistance for affordable housing and economic development. Each year, grants of up to \$70,000 under the General Component and \$70,000 from the Economic Development Component are awarded on a **first-come, first-served basis**. The NOFA for Economic Development PTA grants is scheduled to be released in June 2009, and for General PTA grants in October 2009.

The General PTA allocation focuses on affordable housing, public works, and community facilities, as well as the planning and cost estimates for infrastructure that will benefit neighborhoods with predominantly TIG residents. Activities commonly include affordable housing needs studies and development feasibility analysis, housing condition surveys, infrastructure planning in predominantly TIG neighborhoods, and preparation of funding applications.

The range of eligible activities under the Economic Development P/TA allocation includes: downtown revitalization, business retention, business development feasibility studies, infrastructure needs analyses and cost estimates for ED-focused activities, and tourism planning. Applications must clearly document that the ultimate activity, if brought to completion, would primarily benefit TIG persons.

Invitation for Written Comments

Members of the public are encouraged to submit written comments regarding the City's CDBG activities. Arrangements for technical assistance with the CDBG Program can be made by calling Jamie Goldstein, Community Development Director, or David Foster, Housing and Redevelopment Planner, at 831-475-7300, or by writing to or visiting City Hall at 420 Capitola Avenue, Capitola, CA 95010.

FISCAL IMPACT

There is no fiscal impact to the recommendations in this report.

ATTACHMENTS

None

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**Reviewed and Forwarded
By City Manager:**

