

**City of Visalia
Agenda Item Transmittal**

Meeting Date: April 18, 2011

Agenda Item Number (Assigned by City Clerk): 9

Agenda Item Wording: Public Hearing of 2011/2012 Action Plan for the use of U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) and HOME Investment Partnership Funds administered by the City of Visalia's Housing and Economic Development Department; and

Public Hearing of 2nd Amendment to 2010/11 Action Plan, and 3rd Amendment to the 2009/10 Action Plan.

Deadline for Action: April 18, 2011

Submitting Department: Housing and Economic Development

Contact Name and Phone Number: Ricardo Noguera, Housing & Economic Development Director (4190); Rhonda Haynes Housing Specialist (4460); Ruth Peña, Financial Analyst (4327)

Executive Summary:

Budget cuts of both CDBG and HOME, are expected and estimated between 10% and 30%. The projects proposed to focus on this year, based on these reductions, are the Foreclosure Acquisition Program II, West Acequia Parking Structure- Section 108 Loan Payment, Oval Park Transportation, Code Enforcement, Fair Housing, ADA compliance and Continuum of Care. Staff met with the Citizens Advisory and Disability Advocacy committees and discussed their concerns which were the elimination of both Senior Home Minor Repair and Senior Handicapped Assistance and Repair Programs, reallocating funds to allow recycling of limited funding to stabilize and revitalize neighborhoods. This report highlights staff's recommendations for use of the new allocation and summarizes the analysis of the new and proposed budget and programs and services.

Department Recommendation:

- 1.) Approve and adopt the Final 2011/2012 Action Plan as a HUD requirement for the use of CDBG and HOME Funds as presented.
- 2.) Approve redirection of (HOME) Program Income previously allocated to the First Time Homebuyer Program to a new Program; the Foreclosure Acquisition Program II, reallocate (CDBG) funding previously earmarked for Job Creation and Oval Area Park Improvements to Oval Transportation Improvements.

For action by:
 City Council
 Redev. Agency Bd.
 Cap. Impr. Corp.
 VPFA

For placement on which agenda:
 Work Session
 Closed Session

Regular Session:
 Consent Calendar
 Regular Item
 Public Hearing

Est. Time (Min.):15

Review:

Dept. Head _____
(Initials & date required)

Finance _____
City Atty _____
(Initials & date required or N/A)

City Mgr 
(Initials Required)

If report is being re-routed after revisions leave date of initials if no significant change has affected Finance or City Attorney Review.

WG/ SN 5-0
COUNCIL ACTION: Approved as Recommended

APR 18 2011

- 3.) Authorize the City Manager to re-allocate funding from the New Construction Deferred 2nd Mortgage Loan Program to the Foreclosure Acquisition Program II if by July 1, 2011, the program has not received a minimum of four (4) completed loan applications.
- 4.) Authorize City Manager to make the appropriate budget adjustments; and;
- 5.) Authorize the City Manager to make minor or technical changes to the program guidelines if needed to conform to grant requirements.

Summary/Background

Staff's recommended actions for the July 1, 2011, through June 30, 2012, Program Year, were provided in draft form to Council on April 4th: Since then, Staff met with both the Citizens Advisory Committee (CAC) and the Disability Advocacy Committee (DAC). Committee concerns were related to the elimination of three programs (First Time Homebuyer, Senior Home Minor Repair and Senior Handicapped Assistance and Repair Programs). Staff's proposal, based upon estimated budget and programs, recommends that the limited funding be directed toward programs that serve to stabilize and revitalize. Additionally, staff seeks to finalize the design and commence construction for the Oval Park Transportation project. Additionally, Staff's recommendations also include the creation of a new program Foreclosure Acquisition Program II that allows acquisition of foreclosed properties rehabilitates and resells to income qualifying families or the option to sell to a non-profit agency to assist in addressing rental housing needs. This allows funds to be recycled, therein assisting more families, assisting with job retention (i.e. Contractors, Sub Contractors, Realtors, Title Company, Appraiser) and addressing blight in neighborhoods due to the foreclosure crises. Other programs that will receive limited CDBG or HOME funding is the West Acequia Parking Structure Section 108 repayment, ADA compliance sidewalk access, and Park Improvements. Staff also recommends a reduction in funds toward the Continuum of Care and Voucher Program due to the anticipated reduction in both CDBG and HOME funding.

Two Action Plan Amendments are also recommended, redirecting funding from the First Time Homebuyer Program, to the new proposed Foreclosure Acquisition Program II; and redirecting funding earmarked for Job Creation and Oval Area Park Improvements, to Oval Transportation Program.

The New Construction Deferred 2nd Mortgage Program had a slow start in the latter part of Fall 2010, with one loan completed recently last month (March 2011) and two additional applications under review. Staff believes the program will prove successful this Spring, however, due to the HOME program regulations, where funding must be committed by a certain time frame, Staff suggested preparation, by setting a deadline of July 1, 2011, for a minimum of four (4) loans to be completed, otherwise, funding will be reallocated to the new Foreclosure Acquisition Program II, to meet HOME regulations, expend affordable housing dollars and continue to provide affordable housing opportunities to qualifying families.

1. Action Plan estimates

On an annual basis the City receives approximately \$1.8 million in CDBG and HOME funding, however, as Staff shared with Council on April 4th, Congress has continued discussion of major reductions in governmental programs in order to address the federal budget deficit. As a result, both CDBG and HOME funds will be reduced, with an anticipated reduction between 10% to 30%, which results in a reduction between \$100,000 and \$500,000 respectively. Staff also

shared with Council and Committees, that this significantly impacts both City Housing Staff and both non-profits' Community Services Employment Training, Inc. (CSET) and Self Help Enterprises (SHE) that receive funding for programs. City staffing levels and services have already been reduced in anticipation of these cuts.

Staff proposes to fund the list of projects and programs referenced below. There are discretionary and non-discretionary projects and programs. The non-discretionary projects and programs have annually been committed by repayment of a long-term parking structure loan which provides services, improvements in our community, Staff administration of remaining programs, education regarding fair housing rights and the HUD required HOME funded set aside funds (15% of the HOME funds) for a Community Housing Development Organization (CHDO), specifically CSET to continue acquiring foreclosed properties, rehabilitate and resell to income qualifying families. The non-discretionary projects, programs with their estimated allocations, based upon 30% reduction include:

West Acequia Parking Structure Repayment	\$509,952
City Staff Administration	\$218,137
Code Enforcement	\$120,000
CHDO Set Aside (mandatory)	\$ 58,905
Fair Housing Hotline	<u>\$ 7,500</u>
Non discretionary funded projects:	\$914,494

The remaining estimated funds are discretionary. However, these funds provide assistance to handicapped sidewalk access downtown, as well as improvements in our community and parks. This year's recommended discretionary allocations include ADA Compliance projects, which provides sidewalk access (curb cuts) in the downtown area. The Continuum of Care Board has requested funds for the next three years to support and expand services for the homeless, however, a reduction in the allocation due to the budget has been recommended. We are also recommending a new project that will provide affordable housing, preserve neighborhoods, and create or retain jobs, as well as recycle funds to help more families. The program has been named Foreclosure Acquisition Program II, to mirror the Neighborhood Stabilization Program, by acquiring foreclosed properties, rehabilitating and reselling to either income qualifying families or to a non-profit agency to address rental housing needs in the community. Lastly, to complete the Oval Transportation Project, additional funding is needed to begin the next and final phase (construction). The discretionary projects, programs with their allocations include:

Foreclosure Acquisition Program II	\$294,526
Oval Park Improvement Project	\$ 40,000
ADA Compliance (curb cuts) projects	\$ 23,014
Continuum of Care	<u>\$ 12,500</u>
Discretionary funded projects	\$370,040

The discretionary programs that are not funding for this program year include The First Time Homebuyer Program, due to no activity; Senior Home Minor Repair and the Senior Handicapped Assistance and Repair Program Grants. Although two successful grant programs, Staff recommended these programs be frozen due to the reduced budget as well as any discretionary funding available would be directed to the Foreclosure Acquisition Program II, to recycle funds

and assist more families in the community, as well as, mentioned above, assist in creating or retaining jobs in this economy.

The final proposed allocations, with funding expected to be reduced between 10-30 percent, are also referenced in Exhibit "A", with their respective description following in Exhibit "B".

2. CDBG & HOME Action Plan Amendments:

On November 2, 2010, the City Manager authorized staff to re-direct \$100,000 (HOME funds) to the First Time Homebuyer Program to provide homeownership opportunities to qualifying households. Since then the City has not received any applications for funding. Based on the inactivity of this program, Staff is recommending that this funding be re-directed to the Foreclosure Acquisition Program II.

In the 2009/10 Action Plan, the City set-aside a total of \$100,000 (CDBG funds) for Job Creation to be used to attract job creating businesses or industries seeking to expand or relocate in Visalia. To date these funds have not been utilized. Additionally, in the 2010/11 Action Plan, Staff earmarked a total of \$29,025 (CDBG) for Oval Area Park Improvements. Staff recommends that these totals combined (\$129,025) be redirected to support the Oval Park Transportation Improvements.

3.) New Construction Deferred 2nd Mortgage Loan Program

On September 7, 2010, City Council adopted Amendments to the 2009/10 & 2010/11 Action Plans re-directing a total of \$520,000 (HOME funds) to the New Construction Deferred 2nd Mortgage Loan Program. The intent of the program is to provide opportunities to local families to purchase homes and bolster jobs within the construction industry. Thus far, the City has received one application for funding. Staff recommends that the Council authorize the City Manager to re-allocate remaining funding from the New Construction Deferred 2nd Mortgage Loan Program to the Foreclosure Acquisition Program II if by July 1, 2011, the program has not received a minimum of four (4) completed loan applications.

Council/ Community Input

Staff met with both the Citizens Advisory Committee (CAC) and Disability Advocacy Committee (DAC). The CAC's concerns were the elimination of both the Senior Home Minor Repair and Senior Handicapped Assistance and Repair Program Grant programs. The DAC Committee has an interest in contacting interested rental property owners to discuss accessible units. Staff addressed both Committees' concerns indicating the need to recycle limited funding which will assist more families, create and/or retain jobs through the new Foreclosure Acquisition Program II, through the acquisition and rehabilitation phases, and to allow additional funding to complete a project in the Oval Area. Attached as Exhibit "C", reflect committee meeting comments.

Prior Council/Board Actions: Consolidated Plan adopted in April 19, 2010, Housing Element adopted March 15, 2010, and Annual Action Plan & CAPER reports are adopted in April and September of each year.

Committee/Commission Review and Actions: City Council Work Session, April 4, 2011; Citizens Advisory Committee, April 6, 2011; Disability Advocacy Committee, April 11, 2011

Alternatives: None recommended.

Attachments

Exhibit "A", Estimated Budget

Exhibit "B", Action Plan Amendments

Exhibit "C", Action Plan Committee Meeting Input/Comments

Exhibit "D", Action Plan 2011/2012

- 1.) **Recommended Motion (and Alternative Motions if expected):** Approve and Adopt Final 2011-2012 Action Plan, and;
- 2.) 2nd Amendment to 2010-11, and 3rd Amendment to 2009-10 for the use of CDBG and HOME funds; and
- 3.) Authorize the City Manager to re-allocate funding from the New Construction Deferred 2nd Mortgage Loan Program to the Foreclosure Acquisition Program II if by July 1, 2011, the program has not received a minimum of four (4) completed loan applications; and
- 4.) Authorize City Manager to make the appropriate budget adjustments, and;
- 5.) Authorize the City Manager to make minor or technical changes to the program guidelines if needed to conform to grant requirements.

Environmental Assessment Status

CEQA Review: N/A

NEPA Review: to be completed

Exhibit "A"
Estimated Budget for Fiscal Year 2011/2012

2011-2012 Estimated Budget	2010-11 (Allocation & Amendments)	2011-2012 Projected Allocations based upon % of reductions		
		10% Redtn	20% Redtn	30% Redtn
COMMUNITY DEVELOPMENT BLOCK GRANT				
Annual Grant Amount (CDBG)	1,331,190	1,198,071	1,064,952	931,833
Administration (20% of allocation), Loan Servicing & Operating less Fair Hsg (see Fair Housing for portion of Admin)	251,238	232,114	205,490	178,867
Net for Programs and Projects	1,079,952	965,957	859,462	752,966
Neighborhood Preservation/Services				
Code Enforcement- Target Areas	160,000	120,000	120,000	120,000
Fairhousing Hotline (part of 20%Admin cap)	15,000	7,500	7,500	7,500
Special Needs Facilities				
Continuum of Care or Voucher Program	10,000	12,500	12,500	12,500
Public Improvements				
ADA Compliance Projects **	40,000	30,000	30,000	23,014
Economic Development/Public Parking Facilities				
West Parking Structure Loan Payment (Section 108 Loan)	506,855	509,952	509,952	509,952
Public Parks, Facilities & Improvements				
Oval Park Transportation Improvements	29,025	221,005	114,510	40,000
Oval Park Lighting	40,000	-	-	-
Recreation Park Skateboard Fence	98,072	-	-	-
Park Improvements in CDBG Areas	-	65,000	65,000	40,000
Special Needs Services				
Senior Home Minor Repairs (contract w/CSET)	91,000	-	-	-
Mobile Home Senior Repair & Handicapped Access (contract w/SHE)	90,000	-	-	-
Subtotal Programs & Projects	1,079,952	965,957	859,462	752,966
Total CDBG Expenditure	1,331,190	1,198,071	1,064,952	931,833
Remaining to Carry Forward	-	-	-	-
HOME INVESTMENT PARTNERSHIP FUNDING				
Annual Grant Amount (HOME)	561,002	504,901	448,801	392,701
Administration, Loan Servicing & Operating	56,100	50,490	44,880	39,270
Net for Programs and Projects	504,902	454,411	403,921	353,431
Homeownership				
First Time Homebuyer Program (contract w/CSET)	420,752	-	-	-
Foreclosure Acquisition Program II (Foreclosure acq, rehab, resell)	-	378,676	336,601	294,526
Property Acquisition (Required 15% set aside for CHDO & predevelopment)	84,150	75,735	67,320	58,905
Subtotal Programs & Projects	504,902	454,411	403,921	353,431
Total HOME Expenditure	561,002	504,901	448,801	392,701
Remaining to Carry Forward	-	(0)	(0)	(0)
	CDBG	HOME		
Estimated based off of 2010-2011 (current year allocation)	1,331,190	561,002		

Exhibit "B"
Action Plan Amendments

Table 2			
PROPOSED 2009/2010 & 2010/2011 ACTION PLAN AMENDMENT			
CDBG			
PROJECT (Increase)	BALANCE JULY 1, 2011	PROPOSED AMENDMENT	AMENDED PROJECT BALANCE
Oval Transportation Improvements	-	129,025	129,025
PROJECT (Decrease)			
Oval Park Area Park Improvements 10/11	29,025	(29,025)	-
Job Creation 09/10	100,000	(100,000)	
NET CHANGE CDBG		----- ----- -	
PROPOSED 2009-2010 ACTION PLAN AMENDMENT			
HOME			
PROJECT (Increase)	BALANCE JULY 1, 2011	PROPOSED AMENDMENT	AMENDED PROJECT BALANCE
Foreclosure Acquisition II	-	100,000	100,000
PROJECT (Decrease)			
First Time Homebuyer 09/10	100,000	(100,000)	
NET CHANGE HOME		----- ----- -	

Exhibit "C"
2011-12 Action Plan
Community Input/Comments

City Council Meeting- Worksession April 4, 2011	
Public Comment	City Response
1. Outreach to Community for Input in the Plans	Staff indicated that community meetings were scheduled for the next week with the CAC and DAC committees, to review the Proposed Draft Action Plan. No additional input was given by City Council.

Citizens Advisory Committee Meeting April 6, 2011	
Public Comment	City Response
1. Where are public comments reflected?	The public comments are reflected within the final document to HUD and an overview of issues are addressed in the Council Transmittal for the final report to Council on 4-18
2. Why have the FTHB and NC2nd loan programs not been successful	The FTHB program has had no activity with the remaining \$100k therefore funds are recommended to be placed into the new foreclosure program, where they will be utilized to rehab foreclosed properties and resell to families; The New Construction Program had a slow start in the Fall. 1 loan has been completed with 2 additional applicants in process. If 4 loans are not completed or reserved by July, staff is recommending that funds be redirected to the foreclosure acquisition program.
3. Are there income limits or requirements?	Yes, the HOME and CDBG funds have an income requirement of no more than 80% of the area median income. The NSP program allows up to 120% of the area median income. Examples were provided.
4. Presentation did not mention the elimination of the SHARP and Senior Home Repair Programs	Staff talks about the elimination and/or reduction of Staff and Subrecipients, which administer these programs. The estimates reflect reduced funding with no funds going toward these 2 programs. Funds are recommended to be directed to complete ongoing projects.
5. The Con Plan talks about the SHARP Program being a high priority- need	These funds are grants and are not recycled. Although they are good programs, this year funds are directed toward programs that can be recycled and assist
6. Ability to comment on programs feel are too late to make changes	The ConPlan is a five year plan that lays out proposed projects for the next 5 years. With the estimated reductions in funding, staff is requesting to direct funding to projects that need funding to finalize that have been ongoing and address foreclosure crises recycling funding. Staff suggested that the committee come to the Council meeting or write a letter that

	would be attached to the final document.
7. CAC member continues to have problem with taking funds for newly constructed homes when there are existing foreclosures in neighborhoods	Staff created options for homebuyers. The NSP Foreclosure Acquisition Program and new program with HOME funds allows the City to acquire existing foreclosures, rehabilitate and resell to families which addresses blight in neighborhoods due to foreclosures. These funds are recycled to allow additional purchases and assist additional families; The New Construction Deferred loan program addresses several things such as creation of jobs in construction, assists the developer with completing construction of new homes and also provides the homebuyer with the option to purchase a newly constructed home.
8. Oval Park Transportation-notification (announcement) to interested parties as to the status	Omni Means has been working on the design; some challenges with the surrounding business owners and additional design changes with Cal Trans are currently being worked out. The design includes striping, to allow two lanes; bulb outs and possibly changes may include signals to make for a safer pedestrian and vehicle path. The design is 90% complete. Staff will take the recommendation made by CAC member to publish an announcement, such as the City Hall news article.
9. Typo regarding NSP recycled funds	The recycled funds are \$1.7 mil not \$1.6.

North Visalia Neighborhood Advisory Committee Meeting	
Public Comment	City Response
1. None	Was provided the draft at March meeting and invited to attend one of the 3 other community meetings

Disability Advocacy Committee Meeting April 11, 2011	
Public Comment	City Response
1. Are rehabilitated buildings required to be ADA compliant if funded with federal dollars?	Yes, If the City partners with a non-profit builder, federal dollars invested require the building meet ADA compliance.
2. Recommend rental property owners work with City to rehab apartment unit and make some units accessible	Staff supports committee's recommendation. Also, if Redevelopment funding continues or State funding comes available, Staff will investigate opportunities to work with local non-profits, and rental property owners to encourage rehabilitation of multi units and accessibility.