



CITY OF SANGER

REPORT TO THE CITY COUNCIL

To: Mayor and Council Members

From: Tim Chapa, City Manager

Subject: Reconsider the Community Development Block Grant Program 2018-19, 2019-20 and 2020-21

Attachments: 2016 CDBG Funding Limits and Eligible Activities Chart
 2016 CDBG May 2016 Notice of Funding Availability
 Seven Year Parlier Summary, CDBG NOFA Reports
 Parlier Information Presented At May 4th, 2017 Meeting
 Resolution No. 2017-31

CONFLICT OF INTEREST:

None

RECOMMENDATION:

That the City Council:

1. Review and discuss supplemental information provided, and determine if it should reconsider participation in the County's Community Development Block Grant Program (CDBG) program. If so to:
 - a. Adopt Resolution No. 2017-31, a Resolution approving the City of Sanger's participation in the County of Fresno's Community Development Block Grant Program (CDBG) for fiscal years 2018-19, 2019-20 and 2020-21, and
 - b. Authorize the City Manager to execute the Joint Powers Agreement.

If not, the decision to not participate in the County program will stand.

Prepared by: Tim Chapa

Approved by: _____

REVIEW: City Manager: _____

Finance: _____

City Attorney: _____

TYPE OF ITEM:

COUNCIL ACTION: APPROVED DENIED NO ACTION

- Consent
- Info Item
- Action Item
- Department Report
- Successor Agency

- Public Hearing
- Matter Initiated by a Council Member
- Other
- Continued to: _____

EXECUTIVE SUMMARY:

On May 4, 2017, the City Council considered this item with the understanding that the County deadline was May 8, 2017. Moreover, information was presented on Parlier's participation in the State ("non-entitlement") program as an example of the benefits of another city's participation in the State program as opposed to the County program. Based on the information presented, and the impending County deadline, the City Council voted to not participate in the County program and, by default, to apply for the State program.

Subsequent to the May 4th meeting, staff reviewed the information on the City of Parlier and have found it not to be entirely complete or accurate. Furthermore, staff has received confirmation from the County that the deadline to participate can be extended to the week of June 5th, 2017. Therefore, staff is presenting further clarifying information with the intent of providing the City Council with full factual information, from which the Council may want to reconsider its May 4th decision.

BACKGROUND:

The Community Development Block Grant (CDBG) program is a Federal Department of Housing and Urban Development (HUD) Grant Program to address housing and community development needs of low and moderate income persons. Non-entitlement cities (cities under 50,000 populations) have the option of either partnering with the County's Community Development Block Grant (CDBG) and related Home Investment Partnerships Act (Home) Programs, or they can apply directly to the State for project-specific funding on a competitive basis.

- A. The City of Sanger has participated in Fresno County's CDBG program every year since 1975 and has received in excess of \$10 million in CDBG Funds and has completed over 40 different projects.
 - In the last ten years, the City has received an annual average CDBG allocation of approximately \$274,000, in addition to receiving approximately \$546,000 annually in HOME projects within the City.
 - The County of Fresno, as the lead agency, is responsible for program administration and implementation; preparation and submittal of a five-year Consolidated Plan, annual Action Plan, Consolidated Annual Performance and Evaluation Report; and completing CEQA and NEPA review for each project funded using CDBG or HOME funds. The annual average administration and environmental cost for Sanger projects is conservatively estimated at ten percent for each program, or \$82,000 annually.
 - The total ten-year annual average allocation is estimated at \$902,000, with a 33% CDBG and 67% HOME split.

- B. The City of Parlier has participated in the State program since prior to 2010.
 - In the last seven years, it has averaged \$167,000 annually for CDBG public construction projects, as well as \$1.4M in HOME related projects.
 - Non-entitlement cities (such as Parlier) applying directly to HCD are responsible for administration and implementation of the CDBG program which includes, but is not limited to, preparation and submittal of a five-year Consolidated Plan, annual Action Plan, Consolidated Annual Performance and Evaluation Report; completing CEQA and NEPA review for each project funded using CDBG or HOME funds; and providing a local match. Generally, the application process and grant administration through the State's CDBG program takes longer, is highly competitive, and requires more staff time to administer. (In fact, the City of Parlier was not allowed to apply for funds for several

years due to deficiencies in its administration and oversight of their CDBG grants.)

The above projects were inclusive of administrative costs, with the exception of the 2016 \$2M allocation that included \$140,000 in administrative costs.

- The total seven-year annual allocation is estimated at \$1.5M, with an 11% CDBG to 89% HOME split.

The communities of Sanger and Parlier differ in terms of demographics and in their CDBG-eligible census tracts. Sanger's population is just over 26,000, is about 80% Hispanic, with a MFI of \$46,000 and about 24% below the poverty level. Parlier's CDBG-eligible census tracts are about 50% of the City. Parlier's population is just over 15,000, is about 98% Hispanic, with a MFI of \$35,000 and about 31% below the poverty level. Parlier's CDBG-eligible census tracts allow projects in 100% of the City.

The participating agencies in the County program currently include the Cities of Fowler, Kerman, Kingsburg, Mendota, Reedley, Sanger and Selma. It is our understanding these cities are remaining with the County program, with the exception of Mendota whose demographics and CDBG-eligible census tracts are more similar to Parlier's than Sanger's.

Information was provided at the May 4th meeting regarding Parlier's use or potential use of the State program for economic development purposes:

- It was suggested that under the State program a city could apply for "in one year" a total of \$10M – **this is not true**. In fact, a city *could* apply for a total of \$5M with \$2M in CDBG/HOME related activities and \$3M in ED-Over the Counter program funds. However, it is wishful thinking that \$5M in projects would be awarded to any one city when the total amount for the most recent year, 2016, was only \$27M.
- It was suggested that by spending 51% of the \$2M allocation in the first year that a jurisdiction could apply in the subsequent year – **this is not quite true**. In fact, according to the "Fifty Percent Rule for Application Eligibility," the following must be *complete* prior to the subsequent NOFA application date: work complete, invoice paid by the applicant and a Funds Request for reimbursement has been received by HUD. Again, it is wishful thinking that these items would be complete in the first year.
- It was suggested that the First Time Home Buyers program grant could be \$4M – **this is not true**. The Homeownership Assistance program is limited to \$600K.
- It was reported that Starrhub is to develop a call center in Parlier, and it was inferred that ED-Over the Counter funds of up to \$3M would be used to assist the project. While Parlier may apply for such funds, no such funds have been secured to assist the project, nor has the city submitted the initial Project Inquiry Form.

REASON FOR RECOMMENDATION:

Every three years, the County of Fresno must re-qualify with the U.S. Department of Housing and Urban Development as an Urban County for receipt of CDBG and HOME Funding. The County of Fresno is in the process of re-qualifying for federal funding for the new three-year period beginning July 1, 2018 through June 30, 2021. Fresno County is able to extend the deadline to the week of June 5, 2017 in order for the County to meet HUD's requalification period deadline.

Sanger's annual average allocation is approximately \$#M, and has been focused on housing and public infrastructure projects. While Parlier, as an example a non-entitlement agency, has an average of \$1.5M, almost 90% of the funding is for housing projects, with the other 10% on public infrastructure. The

difference in demographics and census-eligible tracts may account for the ability of Parlier, and in the future possibly Mendota, to be more competitive on housing related activities.

Currently, the administration and environmental responsibilities in the County program are managed by Fresno County. For non-entitlement agencies, these activities are the responsibility of the agency itself, and are fairly complicated. In fact, Parlier was restricted from applying for funds for several years due to deficiencies in its administration.

Additionally, most of what was purported to be the funding opportunity for Sanger as a non-entitlement city is just simply not true. An agency could not apply for \$10M in one year, the funds are limited and competitive, just spending 51% of the funds does not in and of itself allow an agency to apply in the subsequent cycle, an agency cannot apply for \$4M in Homeownership Assistance, and Parlier has not secured \$3M in ED-Over the Counter funds to bring Starrhub to its town.

FISCAL IMPACT:

If the Federal Government approves program funding, the City of Sanger will receive a guaranteed percentage of the overall CDBG funds received each year for the next three years.

ALTERNATIVES:

Maintain the decision to not participate in the County's upcoming three year CDBG program.

ACTIONS FOLLOWING APPROVAL:

City Staff will notify Fresno County Staff of the City Council's action on this item. If the City Council approves the City's participation in the County of Fresno's CDBG Program for the new three year period, the City Manager will sign the Joint Powers Agreement and forward to the County prior to the extended deadline period. If the City Council declines participation in the County program, staff will initiate the process to participate in the State program.

RESOLUTION NO. 2017-31

A RESOLUTION OF THE CITY OF SANGER APPROVING PARTICIPATION IN THE COUNTY OF FRESNO'S URBAN COUNTY ENTITLEMENT PROGRAM AND AUTHORIZING THE CITY MANAGER TO EXECUTE THE JOINT POWERS AGREEMENT

WHEREAS, the County of Fresno and the City of Sanger desire to engage in housing and community development activities as authorized under the Housing and Community Development Act of 1974, as amended, and hereafter referred to as the "ACT"; and

WHEREAS, the ACT requires that certain cooperation agreements be entered into between the County and the City of Sanger for a period of three years in order to implement the provisions and terms of said ACT; and

WHEREAS, the County and the City of Sanger are public agencies under the provisions of Section 6500 of the Government Code of the State of California, and each is authorized by law to enter into joint powers agreements; and

WHEREAS, the County and the City of Sanger are individually authorized by law to engage in housing and community development activities; and

WHEREAS, the County and the City of Sanger do hereby find and determine that it is in the best interest of the residents of the unincorporated area of the County and of the City of Sanger that housing and community development activities be performed jointly in accordance with the provisions of the Joint Powers Agreement for Housing and Community Development in that the U.S. Department of Housing and Urban Development (HUD) recommends that the expenditures of funds for such purpose be on a regional basis; and

WHEREAS, the County re-qualified for entitlement status as urban county to administer and implement the Community Development Block Grant (CDBG) and HOME Partnerships (HOME) Programs for housing and community development activities for each of the participating parties in accordance with the provisions of the ACT and the laws of the State of California.

NOW THEREFORE, IT IS HEREBY RESOLVED, that the City Council of the City of Sanger, State of California:

1. Wishes to continue its participation in the County of Fresno's urban county entitlement program for the receipt and use of Community Development Block Grant (CDBG) and HOME Partnerships (HOME) Programs; and
2. Authorizes the City Manager to execute the Joint Powers Agreement for Housing and Community Development for the term commencing on July 1, 2018 and terminating on June 30, 2021, in addition to other documents necessary for participation in the County of Fresno's urban county entitlement program

* * * * *

I hereby certify that the foregoing is a full, true and correct copy of a Resolution duly and regularly adopted and passed by the City Council for the City of Sanger, California, at a regular meeting held on the 1st day of June, 2017, by the following vote:

AYES: COUNCIL MEMBERS:
NOES: COUNCIL MEMBERS:
ABSTAIN: COUNCILMEMBERS:
ABSENT: COUNCIL MEMBERS:

Rebeca Hernandez, City Clerk

RESOLUTION NO. _____

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* * * * *

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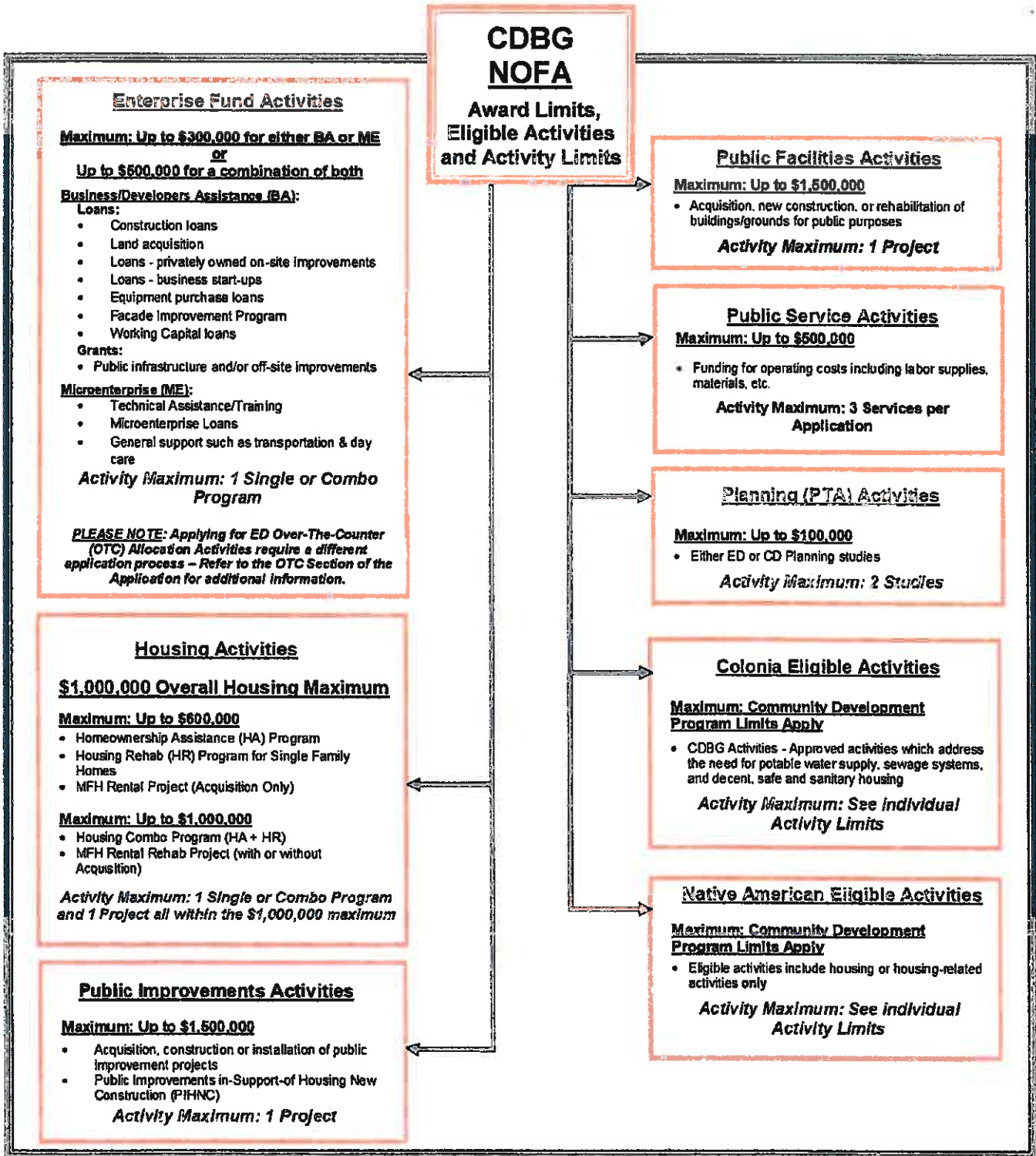
AYES: COUNCIL MEMBERS:
NOES: COUNCIL MEMBERS:
ABSTAIN: COUNCIL MEMBERS:
ABSENT: COUNCIL MEMBERS:

Rebeca Hernandez, City Clerk

2016 CDBG APPLICATION

Funding Limits and Eligible Activities Chart

Application Maximum is \$2,000,000, excluding Colonia and Native American Activities.



**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF FINANCIAL ASSISTANCE**

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May 17, 2016

MEMORANDUM FOR: All Potential Non-Entitlement Applicants

FROM: Laura A. Whittall-Scherfee, Deputy Director
Division of Financial Assistance

SUBJECT: NOTICE OF FUNDING AVAILABILITY (NOFA) FOR 2016
COMMUNITY DEVELOPMENT BLOCK GRANT
PROGRAM (CDBG)

The State Department of Housing and Community Development (Department) is pleased to announce the availability of approximately \$27,000,000 in federal Community Development Block Grant (CDBG) Program funds for funding year 2016. The funding has been allocated to the State of California (State) by the U.S. Department of Housing and Urban Development (HUD) pursuant to the Housing and Community Development Act of 1974, as amended.

This NOFA is applicable to State CDBG non-entitlement cities and counties to apply for funding under Community Development (CD) activities, Special Allocations for Economic Development (ED), Colonia, and Native American Communities. The following is a list of the eligible activities which must meet a National Objective:

A. Activities

1. Housing Assistance
2. Public Facilities
3. Infrastructure and Infrastructure in Support of Housing
4. Public Services
5. Planning and Technical Assistance
6. Economic Development (Business Assistance and Micro Enterprise Assistance including Over-the-Counter)

B. Special Allocations

1. Economic Development (ED)
2. Native American Communities
3. Colonias

Parlier CDBG Funding

Year	Total	Housing								
		Public Services/ Facility	Public Infrastruct.	Rental New Construction	Rehab	First Time Home Buyer	Rental Assistance	Planning Technical Assistance	Economic Develop.	Admin
2010	3,891,000	0	0	3,100,000	210,243	201,243	379,514	0	0	0
2011	805,000	0	0	0	158,850	158,850	382,300	70,000	35,000	0
2012	500,000	0	0	0	500,000	0	0	0	0	0
2013	3,798,000	0	0	3,798,000	0	0	0	0	0	0
2014	0	0	0	0	0	0	0	0	0	0
2015	0	0	0	0	0	0	0	0	0	0
2016	1,162,790	837,210	0	0	465,116	465,116	0	93,023	0	139,535
	10,156,790	837,210	6,898,000	1,334,209	825,209	761,814	163,023	35,000	139,535	

7 yr avg: 1,450,970

Source: State Housing and Community Development Website, <http://www.hcd.ca.gov/grants-funding/nofas.shtml>

May 4, 2017

Agenda Item E-6 – CDBG Grant Program

Mayor Pro Tem Eli Ontiveros (6:27:36 PM):

I pulled it because I'm actually for the alternative of the non-entitlement and the reason is because this is lacking a little bit of information so we're familiar about a couple meetings ago I mentioned that the City of Parlier, which is non-entitled, brought in a Silicon Valley business called Starbuzz, which is a call center for a tech agency. So they're the ones who actually coached me through all this and they've actually come into Parlier in 2005 and in 2005 to the present, which is 12 years, they've retained \$25 million as non-entitled. So that's an average of 2 million a year and I think that says a lot as to where we are as a city because we're just taking out handouts instead of getting our fair share and it's time that we do what we intended to do which lead the city and push it forward. Now if we continue to just accept handouts we're gonna stay status quo and you know staff is ok with that but are we ok with that because we govern the speed that our staff does. So non-entitled actually up to 2 million a year and the caveat to being non-entitled which is how we reached out to this Wagner Tuney, through Larry, is we get to quality for in 1 year 3 million over the counter CDBG funds which is eligible from the economic development projects that bring in jobs, like Wagner Tuney. So we could easily obtain \$3 million to woo businesses to come in. That was in one of the first years. So the total between 3 and 2 would be 5 million. On top of that you can obtain another 1 million from a home FTHB and rehab and 4 million for a multi-family project. So in 1 year we can do what took us 42 years by going non-entitled, just by going non-entitled. The last apartment complex near the JFK Park, second phase is shovel-ready. That qualifies for that. Four million dollar stimulus to make that happen. That's obtainable. If perhaps we were to gain some of this funding maybe we can help Wagner Tuney with some of their infrastructure costs, impact fees, etc. I have some other points here. You had mentioned there was a cap. It wasn't 500; it was 2 million. Now if you spend 51% of that 2 million in the first year, we can actually apply again the sequent year. We don't have to wait so there's a percentage that's dealt out. So there's a lot of missing information here and maybe that was given to you prior; I don't want to judge you yet. But I'm here to make you very successful, Tom, very successful. And all I did was reach out to the agency that made that business come to Parlier and they're the ones who said this city has so much to gain by going non-entitled. And let's just say it does take 6 months, if we just get \$1 million that's a 400% increase in let's just say a year compared to what we've been getting. 400% to what we're normal to get, usually getting.

Mayor Pro Tem Eli Ontiveros (6:33:43 PM):

Just to say that we have so much to gain from doing this. The home FTHB that's first time home buyer money right there; that's 4 million. We have houses that are being built currently that we can give first time home buyer assistance. I mean we can just really, really, just make an economic boom and be in every, every news station, TV station, newspaper. I think when I

spoke to you guys, when you guys were actually elected, the reason you guys said you were running was to move this city forward and I think it's gonna be by changing the mechanism at which we traditionally get grant funding in the CDBG to this new modern mechanism that is clearly working for our neighboring city. That's right down the road. If we're in position now, even if it takes a year and a half, we will get the next Silicon Valley business here and there will be more to follow and we will be just that more in position to take advantage of those businesses to come.