



DATE: April 3, 2023

TO: Honorable Mayor and Members of the City Council through City Manager

FROM: Sarah Wolf, Housing Specialist
Karen Shimizu, Housing Manager

SUBJECT: Public Hearing to Receive Comments on the City's 2023-2024 Proposed Community Development Block Grant Program Annual Action Plan and Resolution Approving the Annual Action Plan and Authorizing the City Manager to Sign All Documents Required by the Department of Housing and Urban Development, and Finding This Item is Not a Project Pursuant to CEQA Guidelines Section 15378

RECOMMENDATION

It is recommended that the City Council conduct a public hearing to receive comments on the City's 2023-2024 Proposed Community Development Block Grant Program Annual Action Plan and adopt a Resolution approving the Annual Action Plan and authorizing the City Manager to sign all documents required by the Department of Housing and Urban Development.

BACKGROUND

The Community Development Block Grant (CDBG) Program is administered by the U.S. Department of Housing and Urban Development (HUD) and is authorized under Title 1 of the Housing and Community Development Act of 1974 (the Act), as amended. The primary objective of the CDBG program is to provide grants to local jurisdictions for the development of "viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income." (42 United States Code section 5301). The City of Petaluma is an "entitlement" jurisdiction under the CDBG program and, as such, receives an annual allocation of funding for eligible activities. The City awards CDBG funding allocations to non-profit "subrecipient" agencies who apply for the funding. The applications are evaluated by City staff and recommendations for funding allocations to the subrecipients are presented for City Council review and approval.

Requests for funding for CDBG projects and programs must address not only the national objectives stated in the Act, but also the Council's local priorities as outlined in the City's 2020-2024 CDBG Consolidated Plan. The City's Consolidated Plan is a five-year plan that is required

to receive CDBG funding. The Consolidated Plan identifies the community development and housing needs of the City, especially for its low- and moderate-income residents, and includes the strategies and resources to meet the identified needs.

The priorities of the 2020-2024 Consolidated Plan are:

1. Improve housing opportunities by preserving existing affordable housing
2. Provide housing and services to the low-income population, including but not limited to, children, seniors, and special needs populations
3. Increase the supply of affordable housing
4. Promote housing opportunities for homeownership
5. Improve accessibility in public facilities and infrastructure

The City's CDBG Program Annual Action Plan (Attachment 3) implements the City's 5-Year Consolidated Plan and outlines the program's budget for FY23-24.

DISCUSSION

HUD determines the City's CDBG entitlement utilizing a formula based on population, poverty, housing conditions, etc. and has allocated Petaluma for FY 2023-2024 a total of \$330,000. Given that the City has limited funding options to offer to our local nonprofits who provide vital services and programs to our low-income households in Petaluma, many of these nonprofit housing and service providers have worked to adapt to this changing environment by economizing, leveraging, collaborating, and reinventing their organizations.

Therefore, following discussions with the CDBG local non-profit subrecipient applicants, the funding recommendations presented to Council this year are based upon the best use of funds with the most potential for leveraging those funds with funds and resources of other agencies. Other considerations upon which the staff recommendations are based are: (1) reducing the 20% allowable administration costs to this program and shifting funding to community projects; (2) funding programs which provide the most basic support services; and (3) funding a minimal number of subrecipient agreements in order to minimize staff oversight and monitoring responsibilities.

Based on the needs identified by each of our eligible non-profits, city staff proposes a plan that best meets the needs of our community. Each applicant for subrecipient funding has been notified of this public hearing and representatives from each non-profit agency have been invited to attend, present information if they wish, and be available for questions from the Council.

As part of the CDBG application process, the City of Petaluma makes a number of certifications regarding the CDBG as required by Section 91.225 of Title 24 of the Code of Federal Regulations. These certifications require City compliance with federal regulations, such as those regarding maintaining a drug-free workplace, prohibitions against using federal funds for lobbying, and compliance with non-discrimination regulations. The CDBG sub-recipient agreements that the City awards to local non-profit service providers incorporate all HUD regulations and certifications that apply to our nonprofit sub-recipients.

The Petaluma Community Block Grant application process consisted of a public notice, online application packets for community agencies and technical assistance to potential applicants provided by Housing staff. Three applications were received from local nonprofit service providers.

The CDBG funds are subject to the following two statutory restrictions on the use of funds: (1) a 20% cap applies to expenditures for program administration; and (2), a 15% cap applies to expenditures for “public service” activities. Program administration expenses include CDBG staff and support services and public services are defined as health services, drug abuse programs, services to seniors, etc. As indicated above and to provide maximum funding for subrecipient programs, staff recommends reducing the eligible program administrative funding and applying funds to programs and projects.

<u>2023-2024- Entitlement</u>	<u>\$ 330,000</u>
Administration Cap – 20%	\$ 66,000
Public Service Cap – 15%	\$ 49,500

In accordance with CDBG regulations, the City of Petaluma has published a public notice of a public hearing on the 2023-2024 Action Plan. The public comment period will end April 3, 2023. All comments received will be considered and recorded as part of the proposed CDBG 2023-2024 Annual Action Plan. The Action Plan will be submitted to HUD within forty-five days after the announcement of Petaluma’s Grant amount or no later than August 1, 2023.

Attachment # 2 outlines agency requests and staff recommendations for use of FY 23-24 CDBG funds. Based on the needs identified with our non-profit partners, city staff recommends funding the following programs from FY 23-24:

1. **Preservation of existing affordable housing:** Rebuilding Together Petaluma (RTP) partners with the City of Petaluma to preserve and revitalize low-income homeowner properties. Their mission is to assure that low-income homeowners live in safe and healthy homes, particularly those who are elderly or disabled. Using CDBG funds, Rebuilding Together partners with other nonprofit agencies to help keep Petaluma's low-income community in their homes.
2. **Provide housing and services to special needs population:** Utilizing CDBG public service funds, Petaluma People Services Center partners with the City of Petaluma to provide services for low-income seniors partnering through the Meals-on-Wheels Program.
3. **Preservation of existing affordable housing:** PEP Housing partners with the City of Petaluma to provide supportive housing for people living with disabilities, seniors and those experiencing homelessness in Petaluma. Using CDBG funds, PEP Housing will improve living conditions for people living in affordable senior rental housing.

PUBLIC OUTREACH

A public notice was published in the Argus Courier announcing a community meeting and technical workshop on February 9, 2023. An email was sent out to all interested parties. All public notices were posted on the City’s Housing webpage, in both English and Spanish. Applications

were due by February 23, 2023. Another public notice, in English and Spanish, was published in the Argus Courier on March 3, 2023, which announced the public hearing on the proposed draft Annual Action Plan and the proposed program funding allocations. The 30-day Public Comment period will end on April 3, 2023.

COUNCIL GOAL ALIGNMENT

The proposed action supports the following Council Goals, Objectives, and Workplan Items: City that Works for Everyone: (#1) Develop a fiscal sustainability plan with the community that balances City services with available revenues, integrates policies and identifies potential revenue sources that ensure long-term financial health and effectiveness of the City; (#7) Leverage local, regional, and state programs and resources to maximize city revenues.

ENVIRONMENTAL REVIEW

Adoption of the CDBG Annual Action Plan is exempt from California Environmental Quality Act (CEQA) review under CEQA Guidelines Section 15061(b)(3), which exempts activities under the common sense rule that CEQA only applies to projects that have the potential for causing a significant effect on the environment. The proposed programs provide services to the public within existing facilities. No new development or construction which would alter the built form of the community is proposed.

Because CDBG program funding is from the federal government, the proposed projects may be subject to review under the federal National Environmental Policy Act (NEPA). However, NEPA does not require analysis as part of the adoption of the Action Plan. Rather, NEPA review is required prior to the initiation of projects subject to NEPA. Therefore, no NEPA review is required at this time. The City can ensure that the proposed subrecipient projects satisfy applicable NEPA requirements by incorporating NEPA compliance requirements into the subrecipient agreements awarded to the non-profit service providers.

FINANCIAL IMPACTS

The Block Grant Program does not impact the General Fund, as all administrative, project, and program expenditures are covered by the entitlement revenues.

ATTACHMENTS

1. Resolution
2. CDBG Funding Proposals for FY 23-24
3. City of Petaluma CDBG 23-24 Annual Action Plan Link:
<https://cityofpetaluma.org/housing-reports-documents/>