



Office of the City Manager

REVISED AGENDA MATERIAL

Meeting Date: April 30, 2013

Item Number: 48

Item Description: Allocations of FY2014-2015 Funds for Community Agencies and Submission of the PY2013 Annual Action Plan

Submitted by: Jane Micallef, Director, Health, Housing & Community Services

Language was added to the Recommendation, Summary, Fiscal Impacts, Rationale and Resolution regarding the allocation of \$5,000 in PG&E funding for Rising Sun Energy Center to operate the California Youth Energy Services Program.



Office of the City Manager

ACTION CALENDAR

April 30, 2013

To: Honorable Mayor and Members of the City Council
From: Christine Daniel, City Manager
Submitted by: Jane Micallef, Director, Health, Housing and Community Services Department
Subject: Allocations of FY2014-2015 Funds for Community Agencies and Submission of the PY2013 Annual Action Plan

RECOMMENDATION

Conduct a Public Hearing on 1) the allocation of funds for community agencies for FY 2013 and 2) the Program Year (PY) 2013¹ Annual Action Plan (AAP) for federal funds, and upon conclusion:

1. Adopt a resolution:
 - a. Approving proposed funding allocations under the FY2014 Community Development Block Grant (CDBG), Emergency Solutions Grant (ESG), and Home Investment Partnerships Program (HOME) and the Pacific Gas and Electric Revenue Fund; and
 - b. Authorizing the execution of resultant agreements and amendments with community agencies for the above-mentioned funds; and
 - c. Allocating 90% of the FY2014 HOME funds to the Housing Trust Fund, and 10% for program administration; and
 - d. Authorizing the City Manager to submit the PY 2013 Annual Action Plan to the U.S. Department of Housing and Urban Development (HUD).
2. Adopt a Resolution approving the City Manager's proposed FY 2014 CDBG funding for Biotech Partners, Inc. and authorizing the execution of resultant agreements and amendments with Biotech Partners, Inc.

SUMMARY

This report includes funding recommendations for \$2,617,036 in CDBG funds, \$233,761 in ESG funds, and \$526,582 in HOME funds, as detailed in Attachment 1, Exhibit A. The funding recommendations are based on a projected 8.2% reduction in CDBG, ESG

¹ PY2013 means the federal fiscal year 2013, funding under which is made available to the City of Berkeley in July 2013, coinciding with the City's Fiscal Year 2014.

and HOME funds in FY2014. At the time of delivery of this report, the CDBG, ESG, and HOME entitlement amounts have not yet been published. Therefore, actual funding amounts may be different than our estimates. The recommendations include: \$1.4 million in CDBG funding for housing services activities, \$396,749 in CDBG funding for public services, \$343,512 in CDBG funding for seven community facility improvement projects, and \$100,000 in CDBG funding and \$473,924 in HOME funding for the Housing Trust Fund.

This report includes authorization for the required submission of the Annual Action Plan (Attachment 8), which details the City's plans for implementing the CDBG, HOME and ESG programs next fiscal year. This report also includes a funding recommendation for \$5,000 in PG&E revenue funds the California Youth Energy Service program.

In order that Council may see all recommended allocations for community agencies, the attached funding summary also includes the initial FY2014 General Fund allocations to community agencies and FY2014 allocations of Community Services Block Grant (CSBG) funds, as recommended through the commission review process. The City Manager is not asking Council to take action on the General Fund and CSBG allocations, as this will be acted upon through the regular budget adoption process ending on June 25, 2013.

FISCAL IMPACTS OF RECOMMENDATION

The CDBG, ESG, and HOME entitlement amounts for the City of Berkeley have not yet been published at the time of writing and these funding amounts may change. All of the federal funds available in FY2014 are projected to be 8.2% lower than the current year funding due to the impacts of sequestration. The CDBG entitlement is projected to be \$2,125,177; program income is estimated to be \$100,000; and staff anticipates having \$391,859 in unexpended funds from prior years available for allocation, for a grand total of \$2,617,036 in CDBG. The City's HOME entitlement is projected to be \$526,582, and no program income is anticipated. As permitted under the regulations, staff recommends allocating ninety percent of the HOME funds to the City's Housing Trust Fund, and ten percent for the administration of the program. The ESG entitlement for next year is projected to be \$233,761.

City staff anticipates approximately \$159,324 in CSBG funding will be available in FY2014 for community agency funding. This level is almost double the \$86,778 budgeted in FY2013. Last year, staff projected a reduction of CSBG funds after President Obama targeted the funding stream for a 50% cut in 2012. Since, however, these targeted reductions in the funds never ensued; staff now anticipate these funds will be subject to the same 8.2% reduction related to sequestration as all other federal funds. The impact is that the City will have more CSBG funds available in FY2014 for community agency funding than we have allocated in the current year and the \$86,778 in General Funds allocated in FY13 to make up for the loss of CSBG will be available to bridge the gap caused by sequestration. Finally, staff does not anticipate any reduction in General Fund in FY 2014 of FY2015 for community agencies.

Proposed expenditures of CDBG, ESG and HOME Funds are detailed in Attachment 1, Exhibit A.

Funds are currently available in PG&E Fund for the \$5,000 allocation to Rising Sun Energy Center for the California Youth Energy Service Program.

CURRENT SITUATION AND ITS EFFECTS

Every two years, the City of Berkeley issues a Request for Proposals (RFP) for funding for community agencies. Funds allocated as part of this process include annual recurring entitlement grants the City receives through the CDBG, ESG, CSBG, and HOME programs, as well as the City's General Fund. The RFP is guided by federal, state and local regulations, which require a process that is open to and encouraging of public participation. This process culminates in funding recommendations to City Council. The CDBG, ESG and HOME final allocation amounts are submitted to the federal Department of Housing and Urban Development (HUD) as part of the Annual Action Plan for the coming fiscal year. This plan is due to HUD by May 15, 2013 and contains not only the funding allocations, but also the City's plan to implement its housing and community development programs. Failure to approve the plan for submission *by this date could result in delays or a loss of this funding.*

BACKGROUND

Annual Action Plan

HUD regulations governing CDBG, ESG and HOME funds require that the City of Berkeley submit an Annual Action Plan. The PY2013 Annual Action Plan (AAP), covering the period July 1, 2013 through June 30, 2014, describes the City's strategy for achieving the goal of developing and maintaining a viable urban community through the provision of decent housing and a suitable living environment, while expanding economic, health and educational opportunities principally for households with incomes at or below 80% of Area Median Income (see Attachment 8). The PY2013 AAP is based on goals contained in the City's Five Year Consolidated Plan² (2010 – 2015), which examines housing needs and establishes funding priorities in the areas of affordable housing and services for a wide range of low-income populations. HUD requires the involvement of the public in the creation of each Annual Action Plan. Berkeley's public participation process began on October 17, 2012 with a public hearing convened by the four review commissions, the Housing Advisory, Human Welfare & Community Action, Homeless, and Parks & Recreation Commissions, and culminates in the April 30, 2013 public hearing.

The Housing Advisory Commission, at its March 7, 2013 meeting, voted unanimously to recommend that City Council approve the PY2013 Annual Action Plan (M/S/C: Tregub/Kingeter. Unanimous).

² The Consolidated Plan can be found at <http://www.ci.berkeley.ca.us/ContentDisplay.aspx?id=12160>

Community Agency Allocation Process

Every two years, the City of Berkeley combines multiple sources of funds into one consolidated *Request for Proposals* (RFP) and allocation process for community agencies. These funds are used to support public services and capital projects that benefit people with incomes at 80% of Area Median Income or below. Health, Housing & Community Services Department staff manages the RFP and allocation process and coordinates the review process among four commissions: the Housing Advisory (HAC), Homeless, Human Welfare and Community Action (HWCAC) and Children, Youth and Recreation Commissions. The consolidated allocation process includes specific recommendations for CDBG and ESG funds to community agencies. During this round 53 agencies requested over \$7 million in funding for 98 projects. Four review commissions are recommending funding for 92 projects for a total of \$6.2 million. This year, Commissions engaged in an abbreviated review process, which shortened the application itself, eliminated site visits to agencies and limited the amount of staff time available for extra meetings. Despite the abbreviated process, all review Commissions were able to develop thoughtful recommendations. For more information on this process and the rationale for all of the funding recommendations, including CDBG, CSBG and City General Funds, see the accompanying commission reports and the City Manager rationale (Attachments 3 through 7).

Community Development Block Grant (CDBG)

The City Manager and the Housing Advisory Commission's recommendations are in complete agreement, recommending CDBG funding for seven housing services projects, totaling \$1,431,740, eleven public services projects, totaling \$396,749, seven facility improvement projects, totaling \$343,512. At its March 7, 2013 meeting, the HAC voted unanimously to recommend funding for these projects (M/S/C: Soto-Vigil/Kingeter. Unanimous). In addition approximately \$445,035 in CDBG funding (or the maximum amount permitted under the regulations) is recommended to be used to administer the City's CDBG program.

The City's CDBG entitlement is expected to be 8.2% lower in FY2014. This means fewer CDBG funds are available for community agencies funded under the public services category. CDBG limits the amount of funds available for Public Services to a percentage of the grant plus the program income. As a result of the entitlement reduction, Public Services allocations must be reduced to remain under the cap. To continue funding all agencies in this category, staff proposes shifting full funding for one agency (Resources for Community Development - \$9,828) and partial funding for another (Women's Daytime Drop-In Center - \$19,598) to General Funds. Additional General Funds available for community agencies are freed up in FY2013 due to the City receiving more Community Services Block Grant funds than budgeted.

For a detailed listing of the proposed CDBG allocations, see Attachment 1, Exhibit A.

Emergency Solutions Grant (ESG)

The Federal Emergency Shelter Grant was changed to the Emergency Solutions Grant

with the passage of the Homeless Emergency and Rapid Transition to Housing (HEARTH) Act in May 2009. New Emergency Solutions Grant (ESG) interim regulations were released in November 2011. The U.S. Department of Housing and Urban Development (HUD) encourages the use of these funds for rapid re-housing and homeless prevention programs, and established extensive new requirements for all jurisdictions receiving an allocation of ESG funds. The City's ESG entitlement allocation for FY2014 is projected to be \$233,761, and the majority of the ESG funds will be used to continue to fund the City's Priority Home Partnership (PHP) program which began in April 2013, utilizing ESG funds for homeless rapid re-housing and homeless prevention, should Council approve this recommendation.

Under PHP, ESG funds will provide financial assistance and housing relocation and stabilization services for approximately 106 individuals and families. Of these, approximately 92 are literally homeless, will have sought daytime or nighttime shelter at existing homeless agencies in Berkeley, and ESG funds will be provided to help them become rapidly re-housed. Homeless service providers, funded with City General Funds, will assist clients with case management and housing search assistance. City of Berkeley staff will review and approve applications for assistance, enter client information into the Homeless Management Information System (HMIS), coordinate and review housing inspections, coordinate rental assistance activities, and hold regular coordination meetings. The recommendation is to award Berkeley Food and Housing Project (BFHP) \$9,348 in General Funds and \$6,286 in ESG funds to administer financial assistance for these clients. In addition, \$182,290 will pass through BFHP in the form of direct financial assistance to clients (see Attachment 1, Exhibit A).

ESG funds in the amount of \$6,700 will continue to support the County-wide Homeless Management Information System, known as InHouse, and 7.5% of the overall allocation will be used for administration of the program.

Home Investment Partnership Program (HOME)

The City's HOME entitlement is expected to be \$526,582. Given the small amount of program income received in PY2013 to date, no program income is projected for FY2014. Of the funds available, staff recommend allocating 90% for the Housing Trust Fund, and 10% (the maximum allowed) for program administration (Attachment 1, Exhibit A).

RATIONALE FOR RECOMMENDATION

Annual Action Plan

Submission of the PY2013 Annual Action Plan is required to continue to receive CDBG, ESG and HOME funds.

Community Agency Allocation Process

The City Manager recommends no reductions to the overall amount of General Funds available to community agencies in FY2014 or FY2015. However, the City may need to re-evaluate available local revenue to support the second year funding and may have to re-visit funding levels next year. Additionally, if there are further federal funding

reductions next year, it may be necessary to re-visit community agency funding levels for FY15. The City Manager also recommends continuing to budget for an allocation of Community Services Block Grant Funds for each year, less a projected 8.2% cut due to the impacts of sequestration.

Commissioners and City staff reviewed and rated proposals during the months of January and February. Of the 98 projects proposed, the City Manager and Review Commissions agree on recommended funding levels for 91. There is complete agreement between the City Manager and the Housing Advisory Commission, the City Manager and the Homeless Commission, and the City Manager and the Children Youth and Recreation Commission. For a full discussion of the City Manager's rationale for her recommendations, see Attachment 7.

Community Development Block Grant (CDBG) Allocations

The projected 8.2% reduction in CDBG can be absorbed mainly by reducing the allocation for the Housing Trust Fund and shifting some funding for CDBG public services projects into the General Fund. Additional General Funds are expected to be available due to greater certainty of the availability of CSBG funds for FY2014. Prior year funds are also available to add to the reduced entitlement allocation and allow for funding all projects at the current year level, while funding seven public facility improvement projects. One new project, Community Energy Services Corporation Tenants' Rights Education and Referral, is not recommended for funding. For a full description of rationale for the recommended CDBG allocations, see Attachment 3. Should the reduction to the City's CDBG entitlement be more or less than projected, staff recommend funding the Housing Trust Fund in the amount of the funds remaining after all other recommended allocations are made.

Emergency Solutions Grant (ESG) Allocations

HUD officials have provided clear direction that the majority of the Emergency Solutions Grant funding should focus on rapidly re-housing homeless people. Homelessness prevention activities are also eligible but HUD strongly discourages jurisdictions from using a large portion of the federal funds for this activity given the challenges of predicting which households would become homeless but for financial assistance. Staff propose allocating ESG funds to HMIS and administration, eligible expenses under the program regulations, and the remaining FY2014 ESG funds to rapid re-housing (75%) and homelessness prevention (25%). Because the Berkeley Food and Housing Project successfully implemented the Homelessness Prevention and Rapid Re-Housing Program, funded with stimulus funds, and developed administrative systems compliant with these regulations, staff is proposing to sole-source the administration of financial assistance payments to them. The rapid re-housing and homelessness prevention financial assistance payments are made available to the clients of all homeless services providers in Berkeley currently using the Homeless Management Information System (HMIS), since HUD requires that the financial assistance and services be tracked in HMIS.

HOME Allocations

Staff proposes allocating the maximum amount of HOME funds for administration of the program and placing the remaining funds in the City's Housing Trust Fund.

PG&E Fund Allocations

As part of the City's participation in the PG&E East Bay Energy Watch, the City has the opportunity to have PG&E's subcontractor, Rising Sun Energy Center (RSEC) operate the California Youth Energy Services Program to serve the community. Participation would leverage over \$70,000 in funding from PG&E. Staff proposes that \$5,000 in funds earned from a prior contract with PG&E be used for the required matching funds. Staff proposes to execute a sole source contract with RSEC because they are uniquely qualified due to their prior experience with the CYES program and the fact that they have \$70,000 in leverage funds available from PG&E. The CYES program is distinct from the CDBG-funded GETS program operated by RSEC in that it provides free energy services to Berkeley residents, while GETS is targeted to CDBG populations.

ALTERNATIVE ACTIONS CONSIDERED

Reductions in CDBG funding for public services could result in targeted reductions to community agencies instead of using General Funds to maintain current funding levels. Both the Housing Advisory Commission and staff agree that since General Funds are available, and community agencies are facing reductions from other sources, the City should maintain funding at current levels.

CONTACT PERSON

Kristen Lee, Community Services Specialist III, HHCSO, (510) 981-5427

Attachments:

- 1: Resolution
 Exhibit A: CDBG/ESG Allocations Spreadsheet
- 2: Resolution – Biotech Partners
- 3: Housing Advisory Commission Report
- 4: Homeless Commission Report
 Exhibit A: FY2014-15 Homeless Services Applications
- 5: HWCAC Report
 Exhibit A: FY2014-15 HWCAC Community Agency Funding Recommendations
- 6: Children, Youth and Recreation Commission Report
 Exhibit A: CYRC Recommended Community Agency Allocations FY2014-15
 Exhibit B: White Paper on Community Agency Funding
- 7: City Manager's Rationale: Community Agency Funding Recommendations
 Exhibit A: City Manager / Commission Funding Recommendations Comparison
- 8: City of Berkeley PY2013 Annual Action Plan
- 9: Public Hearing Notice

RESOLUTION NO. ##,###-N.S.

SUBMISSION OF THE PY2013 ANNUAL ACTION PLAN, INCLUDING ALLOCATIONS OF FEDERAL COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG), EMERGENCY SOLUTIONS GRANT (ESG), AND HOME INVESTMENT PARTNERSHIP GRANT (HOME) FUNDS

WHEREAS, the submission of the PY2013 Annual Action Plan is a requirement the City must meet in order to receive its allocation of CDBG, ESG and HOME funds, available for the period July 1, 2013 through June 30, 2014; and

WHEREAS, on April 30, 2013, the Housing Advisory Commission (HAC) and City Manager made funding recommendations to City Council on the Community Development Block Grant (CDBG), Emergency Solutions Grant (ESG), and HOME Programs as contained in Exhibit A attached to this resolution, with the exception of Biotech Partners, which will be voted on in a separate resolution; and

WHEREAS, the City will continue to 1) utilize the full allowable portion of the HOME funds for program administration; and 2) allocate the remainder of the HOME entitlement allocation and any program income into the Housing Trust Fund; and

WHEREAS, the City has established the following budget codes in FUND\$: CDBG 370-various, ESG: 045-7902-331-1001, HOME: 040-various and General Fund: 010-various; and

WHEREAS, PG&E has over \$70,000 in funding available for the California Youth Energy Services Program (CYES) operated by the Rising Sun Energy Center (RSEC) subject to a match from the City; and

WHEREAS, the City has allocated the required \$5,000 cash match in budget code 355-8308-463.30-38.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is authorized to:

1. Execute any resultant agreements and amendments for agencies receiving funding under the CDBG, ESG, HOME Program, or PG&E Revenue Fund in accordance with the proposal approved hereunder. If the federal government does not allocate sufficient funds to cover the allocations attached to this resolution in this year or subsequent years, the City may either terminate the resultant agreements with agencies without any liability occurring to the City. A record copy of said contracts and any amendments are on file in the Office of the City Clerk; and
2. Allocate 90% of the FY2010 HOME funds to the Housing Trust Fund and 10% for HOME program administration; and

3. Finalize the PY2013 Annual Action Plan, including responses to public comments received until May 1, 2013, adding required HUD application forms and certifications, and including other HUD-required information, submit it to the U.S. Department of Housing and Urban Development (HUD), and execute all documents necessary to receive the City's entitlement grants under the CDBG, ESG and HOME Programs.

BE IT FURTHER RESOLVED that the City manager is authorized to execute or amend contracts with agencies receiving funding under the CDBG, ESG, HOME Program, or PG&E Revenue Fund in accordance with the proposals approved hereunder. A record copy of said contracts and any amendments are on file in the Office of the City Clerk.

BE IT FURTHER RESOLVED that the City Manager is authorized to use the following invoicing/reporting system in contract administration, but maintains the discretion of requiring more frequent invoices and reports from new grantees or in contracts deemed to require closer scrutiny:

Fiscal Reports:

- All agencies, regardless of funding level, are required to submit quarterly statements of expense and quarterly requests for advance payment. The final statement of expense for each fiscal year must be accompanied by a copy of the agency's General Ledger and a Statement of Revenues and Expenditures for each program.

Program Reports:

- Agencies funded with non-federal funding: End-of-year narrative summary of accomplishments for the following types of programs, due by July 31: 1) Drop-In Services only with no intensive case management attached, 2) Meal Programs, and 3) Recreation Services.
- All other agencies with non-federal funding: Two program reports, due by January 31 and July 31;
- Agencies with federal funding (any amount): Four program reports due by October 31, January 31, April 30, and July 31.

BE IT FURTHER RESOLVED that the City Manager is authorized to refuse to execute a contract with any agency that has not provided required contract exhibits and documentation within 90 days of award of funding.

BE IT FURTHER RESOLVED that the City Manager is authorized to recapture any unspent CDBG funds awarded to an agency for a community facility improvement contract, if the funds are not spent by June 30, 2014.

Exhibits

- A: FY2013 CDBG/ESG Allocation Recommendations

RESOLUTION NO. ##,###-N.S.

APPROVAL OF FY2013 CDBG FUNDING FOR BIOTECH PARTNERS, INC.

WHEREAS, on April 30, 2013, the Housing Advisory Commission (HAC) and the City Manager recommended that Biotech Partners, Inc. receive an allocation of \$68,094 in Community Development Block Grant (CDBG) funding.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is authorized to execute any resultant agreements and amendments with Biotech Partners, Inc., which is receiving \$68,094 in funding under the CDBG Program (budget code CDBG: 370-7902-463-3510) in accordance with the proposal approved hereunder. If the federal government does not allocate sufficient funds to cover the allocations attached to this resolution in this year or subsequent years, the City may either terminate the resultant agreements with agencies without any liability occurring to the City. A record copy of said contract and any amendments are on file in the Office of the City Clerk.

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