



MARIN COUNTY
COMMUNITY DEVELOPMENT AGENCY

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FEDERAL GRANTS DIVISION

February 7, 2012

Board of Supervisors
County of Marin

SUBJECT: Workshop discussion of potential policies to adjust to funding cuts in the Community Development Block Grant Program (CDBG) and the HOME Investment Partnerships Program (HOME)

RECOMMENDATION: Hold a workshop discussion of potential policies to adjust to a 19% funding cut in the CDBG Program and a 46% funding cut in the HOME Program, and provide general direction to Supervisor Arnold, who represents the County on the CDBG Countywide Priority Setting Committee. Consider reducing the number of projects and coordinating with other funders. Be cautious about adopting priorities in an increasingly constrained funding and regulatory environment.

SUMMARY:

1. Eligible Activities:

CDBG: Housing acquisition, housing rehabilitation, acquisition of sites for housing development, off-site improvements that support housing development, fair housing services, public facilities, community centers, homeless shelters, senior centers, parks, removal of architectural barriers, and public services. Public services are limited to 15% of the grant.

HOME: Construction or rehabilitation of housing. Site acquisition for housing development. Tenant-based rental assistance. Homebuyer assistance.

2. Financial and Regulatory Constraints:

CDBG is being cut 19%, with an expected grant amount of \$1,166,041. HOME is being cut 46%, with an expected grant amount of \$594,462.

We will likely be able to fund only one HOME project per year, maybe two at most.

HOME regulations require us to spend 15% of each year's HOME grant for Community Housing Development Organization (CHDO) projects, so our first (and perhaps only) HOME project each year must be a CHDO project. HUD requires a CHDO to set aside 1/3 of Board positions for low-income people or their representatives.

Increasingly, the ability to spend funds quickly has become a requirement for both CDBG and HOME. Under pressure from Congress, HUD is becoming more aggressive about taking CDBG and HOME funds away from communities that can't spend them fast enough.

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In the implementation of these rules, no exceptions are made for California or the CEQA process. HUD timely spending and project readiness requirements may force us to prioritize projects that are ready to proceed quickly. These "safe projects" may not be the projects that are our top priorities on other criteria.

In the current financial environment, it's increasingly important that locally-based funders collaborate, focusing funding from all sources on a single project so that it can proceed. Otherwise, we end up with many partially-funded stalled projects. There is an increased need to collaborate with staff of County Health & Human Services, Marin Community Foundation, and other locally-based funding sources.

HUD fair housing staff are clear that they do not want to see HUD funds used to build housing located in minority neighborhoods that fills up with only minority tenants. From this perspective, Marin would be prudent to use CDBG and HOME funds to support only those housing projects which are located outside areas of minority concentration, and can also successfully accomplish affirmative marketing so that the residents will be a more diverse group than the surrounding neighborhood. These efforts would be consistent with the County's Analysis of Impediments to Fair Housing Choice.

3. Time to Choose Priorities?

Some counties and cities designate very specific priorities for their CDBG and HOME funds. In the last few years, we've heard suggestions for priorities in Marin, such as:

- Homelessness prevention
- Housing development for extremely low income people
- Housing-related programs
- Rental assistance (HOME Program only)

Because the County operates CDBG and HOME on behalf of all the local governments in Marin, any selection of priorities should be considered by the Countywide Priority Setting Committee.

Any new countywide priorities should consider the priorities of the San Rafael and Novato city councils. Both cities are large enough to receive funds independent of the County. Under the terms of the City-County Cooperation Agreements, San Rafael and Novato are already exempt from the Priority Setting Committee's policy that each planning area must spend at least 30% of its funds on housing. San Rafael has committed to use \$300,000/year from its CDBG allocation for curb cuts required by a settlement with the Department of Justice. The expected CDBG grant won't be enough to yield \$300,000 for this purpose, so San Rafael may not have any discretionary CDBG funds for housing or capital projects. Novato has less specific priorities, but is accustomed to a process where its staff makes recommendations and the Council actively reviews those recommendations.

Project re-framing is also a potential pitfall. If we pick a priority, many applicants will try to make the case that their projects fit the priority. For example, if we restrict funds to housing-related projects, child care providers may insist that child care is an essential support that keeps tenants from losing their housing.

As grants shrink, some would say that is all the more reason to focus the funds on clearly defined priorities. However, setting priorities doesn't necessarily mean that we will receive applications for those categories which are also feasible, timely, meet other HUD guidelines,

and can attract other funding. Another approach is collaboration with other funders in a thoughtful ongoing process that includes mutual dialogue about community needs and what each funder is prepared to support.

Staff recommends that we coordinate with other local funders, since we no longer have enough CDBG and HOME funds to have a significant impact on our own. Staff recommends that we be cautious about adopting any new priorities, since HUD has already imposed so many choice-limiting requirements.

4. Implications for administration

There are certain fixed costs of basic HUD compliance and monitoring of past projects. There are no indications that Congress or HUD will reduce the administrative requirements they impose on localities. There are also variable costs for contract administration, reporting, invoice processing, and accounting, which are largely dependent on the number and complexity of projects we fund. If present trends continue, we may be only a year or two from the point where the CDBG grant's allowance for administration won't cover the full cost of CDBG staff, rent, and A-87 charges, depending on how much program income we receive. For HOME, we have unspent administrative allowance we can carry over from year to year.

It would make sense to reduce the number of CDBG projects to reduce administrative work. For any policy that reduces the number of projects, we need to pay careful attention to how it would affect West Marin, which has unique circumstances of a dispersed population and a network of small local nonprofits. There is also a case for funding separate local providers for Marin City and for Novato. In general, San Rafael, the Upper Ross Valley, and the Lower Ross Valley can be served by one set of Central Marin service providers.

CDBG public services are limited to 15% of the grant. While public services are the least complex projects, they still increase our variable administrative costs. Particularly during the recession, staff would be reluctant to suggest eliminating the public service category. There is a strong case for funding public services at the full 15% allowed, but concentrating the funds among a reduced number of projects.

Although public services constitute only 15% of CDBG spending, they absorb more than half of staff time spent during the recommendation and hearing process. This leaves staff inadequate time to analyze larger capital and housing applications. Staff asks that the oversight committees be cognizant of this issue.

Staff recommends that we find ways to reduce the number of projects to bring administrative costs in line with what the grants allow for administration.

FISCAL IMPACT: If Marin's CDBG allocation continues to decline, and we do not restructure our local program, the cost of administration might require a draw on general funds.

REVIEWED BY:	<input type="checkbox"/>	Auditor Controller	<input checked="" type="checkbox"/>	Not Applicable
	<input checked="" type="checkbox"/>	County Counsel	<input checked="" type="checkbox"/>	Not Applicable
	<input type="checkbox"/>	Human Resources	<input checked="" type="checkbox"/>	Not Applicable



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