



City Council Staff Report

From: City Manager

Report Type: CONSENT CALENDAR

Lead Department: Planning and Development Services

Meeting Date: April 17, 2023

Report #:2302-0991

TITLE

Approve Substantial Amendments to the Community Development Block Grant (CDBG) FY2021-22 and FY2022-23 Annual Action Plans and the Associated Budget Amendment in Various Funds and Resolution

RECOMMENDATION

Staff recommends City Council take the following actions:

1. Approve an amendment to the Fiscal Year 2023 Budget Appropriation for the following funds (requires 2/3 approval):
 - a. Community Development Block Grant Fund by:
 - i. Increasing the revenue estimate by \$300,000; and
 - ii. Increasing the transfer to the Capital Improvement Fund appropriation by \$300,000;
 - b. Capital Improvement Fund by:
 - i. Increasing the appropriation for the Sidewalk Repairs Capital Project (PO-89003) by \$300,000; and
 - ii. Increasing the transfer from the Community Development Block Grant Fund by \$300,000.
2. Adopt a Resolution (Attachment A) approving the following Substantial Amendments to the 2021-22 and 2022-23 Annual Action Plans:
 - a. For Fiscal Year 2021-22, reallocate funding from Ravenswood Family Health Network to Sidewalk Repairs Capital Project (PO-89003) for ADA ramp improvements.
 - b. For Fiscal Year 2022-23, amend the text for the description of the 525 E. Charleston Road project to reflect the correct project activity.

EXECUTIVE SUMMARY

The City is required to process a Substantial Amendment to a previously approved Community Development Block Grant (CDBG) Annual Action Plan (AAP) when certain changes occur to the

contents of those plans. This report discusses two substantial amendments that need to be completed for compliance with the CDBG program. The two amendments are as follows:

1. FY2021-22 AAP - Reallocate \$300,000 from Ravenswood Family Health Network to a City project for ADA ramp improvements. Ravenswood was not able to move forward with their project and informed the City they no longer needed the CDBG funds.
2. FY2022-23 AAP – Revise the text of the project summary for Mitchell Park Place/525 E. Charleston Road to reflect the correct project activity.

The first of these amendments requires approval of an amendment to the Fiscal Year 2023 Budget Appropriation.

BACKGROUND

The CDBG program, administered by U.S. Department of Housing and Urban Development (HUD), provides annual grants on a formula basis to states, cities, and counties to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low- and moderate-income persons. The program is authorized under Title 1 of the Housing and Community Development Act of 1974. The HUD regulations require all CDBG funded activities to meet one of the three national objectives:

- Benefit low-and very-low-income persons;
- Aid in the prevention or elimination of slums or blight; or
- Meet other community development needs having urgency or posing a serious and immediate threat to the health or welfare of the community.

Palo Alto's CDBG program has been primarily directed towards housing-related work. Specifically, local CDBG funds are allocated to expanding and maintaining existing affordable housing supply; promoting housing opportunities and choices; and providing supportive services for targeted low-income groups including unhoused persons, persons with disabilities, the elderly, and others. For general information on Palo Alto's CDBG program, please visit: <https://www.cityofpaloalto.org/CDBG>.

Annual Action Plan Amendments

As part of the CDBG program, HUD requires the preparation of a five-year strategic action plan (i.e. Consolidated Plan) to address priority housing and community development needs and to set goals for attaining identified objectives. The implementation of the Consolidated Plan is reflected in the Annual Action Plan that is prepared for every fiscal year. The Annual Action Plan (AAP) identifies the specific projects to be funded that implement the strategies identified

in the Consolidated Plan. Council adopted the updated FY2020-25 Consolidated Plan and the FY2020- 21 Annual Action Plan on June 15, 2020.

When the City's CDBG funding situation changes, amendments to the Annual Action Plan may be required. There are two types of amendments:

1. Minor Amendments: Changes to a previously adopted Consolidated Plan or Annual Action Plan that does not meet the thresholds to qualify as a Substantial Amendment. Minor amendments are typically processed at a staff level.
2. Substantial Amendments:
 - (a) A change in the use of CDBG funds from one eligible activity to another;
 - (b) The implementation of an activity not previously identified in sufficient detail to provide affected citizens an opportunity to submit comments; or
 - (c) A change in an activity's program budget which exceeds ten percent of the City's latest annual entitlement grant; and
 - (d) Council approval required for all substantial amendments.

DISCUSSION

This section includes information on the required Annual Action Plan amendments. The Substantial Amendments approved by the City Council will be incorporated into the FY2021-22 AAP and the FY2023-23 AAP as required by HUD.

Substantial Amendment to FY2021-22 Annual Action Plan – Ravenswood Funding Reallocation

The approved FY2021-22 AAP included funding of \$300,000 for Ravenswood Family Health Network for eligible improvements at its Palo Alto clinic.¹ The project included the rehabilitation of the existing entrance and exit ramps and conversion into ADA-accessible ramps. In an email dated November 29, 2022, Ravenswood Family Health Network informed the City that they no longer needed the funds due to the lack of contracts to bid for the project and the inability to expend the funds.

With funding reallocation in mind, staff investigated other public facilities improvement projects that were CDGB-eligible activities. Due to the CDBG funding limitations, staff could not identify an eligible project from the current agencies supported by the program to reallocate funds to. In exploring eligible City projects, the Public Works Department, in consultation with the City's ADA Coordinator, suggested adding additional ramps within an existing community-wide ADA ramp improvement project that slated for bid in Spring 2023 (Sidewalk Repairs Capital Project PO-

¹ This project funding was recorded in Resolution No. 98933 adopted by Council on June 15, 2020.

89003). An ADA ramp improvement project is a CDBG public facility eligible project (Matrix Code: 03K).

The staff recommendation is to reprogram the Ravenswood \$300,000 to the City's ADA ramp improvement project to better support and enhance the major curb ramp improvement project.

Substantial Amendment to FY2022-23 Annual Action Plan – 525 E. Charleston Road

The approved FY2022-23 AAP included funding of \$356,330 for the Mitchell Park Place/525 E. Charleston Road² project. CDBG funding was to be allocated for predevelopment costs associated with an affordable housing development. This activity supports the development of affordable housing at a Santa Clara County-owned property; Eden Housing will develop 50 affordable housing units, half of which are for people with disabilities. As the owner of the property, the County plans to execute a long-term lease with the developer, Eden Housing.

In late Summer 2022, the City was informed by HUD that the Mitchell Park Place project description was incorrectly represented in the FY2022-23 Annual Action Plan. A substantial amendment is needed to amend section AP-38 Project Summary of the FY2022-23 Annual Action Plan. The text edits are detailed in Table 1 below (new text is underlined and removed text has ~~strikeouts~~).

Table 1: CDBG Project Description Change

8	Project Name	Mitchell Park Place 525 E. Charleston Road
	Target Area	<u>Citywide</u>
	Goals Supported	Affordable Housing <u>Strengthen Neighborhoods</u>
	Needs Addressed	Affordable Housing <u>Community Services and Public Improvements</u>
	Funding	CDBG: \$356,330

² This project funding was recorded in Resolution No. 10056 adopted by the Council on June 20, 2022.

Description	<u>The City intends to use the CDBG Funds for public facilities improvements near the proposed Eden Housing development site.</u> Eden Housing is developing 50 units of affordable housing. Approximately half the units are for persons with disabilities. The parcel is owned by the County and will be a long-term lease with the developer. The City intends to use CDBG funding for predevelopment costs as per HUD regulation. Note: At the initial public comment period for the 2022-2023 AAP, the project focused on affordable housing. The City is reevaluating this project and the details are to be determined. The City will follow the Citizen Participation Plan and will proceed with protocols if a substantial amendment is required.
Target Date	6/30/2023 <u>12/30/2023</u>
Estimate the number and type of families that will benefit from the proposed activities	TBD <u>50 families will benefit from public improvements</u>
Location Description	525 E. Charleston Road
Planned Activities	TBD

POLICY IMPLICATIONS

The project recommended for the reallocated CDBG funds is consistent with the priorities established in the City's adopted FY 2020-2025 Consolidated Plan.

FISCAL/RESOURCE IMPACT

The recommendations in this report are cost neutral. This action is a reallocation of unspent funds dedicated by HUD in the FY2021-22 CDBG cycle and does not constitute a new funding source. The CDBG program runs on a reimbursement basis. Approval of this action will reallocate existing Community Development Block Grant funding to a new project and allow for the distribution of funds. There is no impact to the General Fund.

STAKEHOLDER ENGAGEMENT

The draft Substantial Amendments to the FY2021-22 and FY2022-23 Annual Action Plans, reflected in red-lined versions of the AAPs, were made available on the City's webpage for public review beginning March 7, 2023 through April 6, 2023; this was advertised in the Daily Post on March 3, 2023. This constituted the required 30-day public review period.

Additionally, the notice provided details of this City Council public hearing, initially scheduled for April 10, 2023. Due to changes in the Council agenda, the public hearing was moved to April 17, 2023 and a correction notice was placed in the newspaper on April 5, 2023.

At the time of this report preparation, no public comments were received.

ENVIRONMENTAL REVIEW

For purposes of the National Environmental Policy Act (NEPA) and the California Environmental Quality Act (CEQA), budgeting by itself is not a project. Prior to commitment or release of funds for each of the proposed projects, staff will carry out the required environmental reviews or assessments and certify that the review procedures under CEQA, HUD and NEPA regulations have been satisfied for each project.

ATTACHMENTS

Attachment A: Draft Resolution

Attachment B: Draft Amended FY2021-22 Annual Action Plan, with red-lines on page 26

Attachment C: Draft Amended FY2022-23 Annual Action Plan, with red-lines on page 36

APPROVED BY:

Jonathan Lait, Planning and Development Services Director