

COMMUNITY DEVELOPMENT AGENCY  
**FEDERAL GRANTS DIVISION**

**COUNTYWIDE PRIORITY SETTING COMMITTEE  
ORIENTATION WORKSHOP AND PUBLIC HEARING**

Monday, February 24, 2014  
5:45 p.m. *Orientation Workshop*  
7:00 p.m. Public Hearing

B Street Community Center  
618 B Street  
San Rafael

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AGENDA

**5:45 p.m. to 6:45 p.m.**  
**Orientation Workshop**

Before the public hearing, staff will provide an orientation for new committee members about the Community Development Block Grant (CDBG) and HOME Programs. All committee members are welcome to attend and ask questions. *The Orientation Workshop is optional for committee members.* The public is also invited to attend.

**7:00 p.m.**  
**Public Hearing**

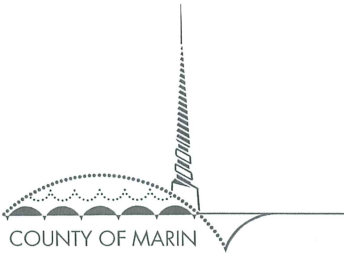
1. Opening Comments.
2. Request for general public comment on the Consolidated Plan, housing and non-housing community development needs of lower income people, and the past performance of the County's Community Development Block Grant (CDBG), HOME, and Housing Opportunities for Persons with AIDS (HOPWA) Programs. (This is an opportunity for the public to comment on community needs and general issues related to the CDBG, HOME, and Housing Opportunities for Persons with AIDS programs.)
3. Update on federal budget and expected CDBG and HOME grant amounts.
  - a. Staff report.
  - b. Public comments.
  - c. Discussion by Priority Setting Committee.
4. Selection of community member for the Priority Setting Committee to represent the interests of racial and ethnic minorities and people with disabilities. There is one applicant, Luz Maruja Gornall, for a vacancy for a community member from the Lower Ross Valley.
  - a. Staff report.
  - b. Statement from applicant.
  - c. Public comments.
  - d. Discussion and decision by Priority Setting Committee.

5. Decision on whether to process two CDBG applications that did not meet submittal standards. (The CDBG application from the Gates Cooperative arrived after the deadline, due to illness of the preparer. The application for the Sol-Catcher group home was e-mailed before the deadline, but our guidelines do not allow for e-mailed or faxed applications.)
  - a. Staff report.
  - b. Public comments.
  - c. Discussion and decision by Priority Setting Committee.
6. Implications of revised HOME regulations that impose new timing requirements.
  - a. Staff report.
  - b. Public comments.
  - c. Discussion by Priority Setting Committee.
7. Broad policy directions for number and types of projects.
  - a. Staff report.
  - b. Public comments.
  - c. Discussion and decision by Priority Setting Committee.
8. Renewal of City-County CDBG Cooperation Agreements.
  - a. Staff report.
  - b. Public comments.
  - c. Discussion by Priority Setting Committee.
9. Presentation on Analysis of Impediments to Fair Housing Choice (AI), including update on actions to affirmatively further fair housing, and process and timing for preparation of the next AI.
  - a. Staff report.
  - b. Public comments.
  - c. Discussion by Priority Setting Committee.
10. Open Time for Public Comment on Matters Not on the Agenda.

If you have questions about the public hearing, please call Roy Bateman at (415) 473-6698 at the Marin County Community Development Agency. People using TTY devices may reach us at (415) 473-3232 (TTY) or through the California Relay Service at 711. All public meetings and events sponsored or conducted by the County of Marin are held in accessible sites. Requests for accommodations may be made by calling (415) 473-6279 (voice-Amy Brown), (415) 473-3232 (TTY), or by e-mail: [asbrown@marincounty.org](mailto:asbrown@marincounty.org), at least five business days in advance of the event. Copies of documents are available in alternative formats, upon request. Sign language interpretation and translation into languages other than English are available upon request. Please call our office at (415) 473-6279, at least five business days in advance of the public hearing you want to attend, if you need language translation, a sign language interpreter, an assistive listening device, or other reasonable accommodation. In consideration of persons with environmental sensitivities, please do not wear perfume or other fragrances. Call Golden Gate Transit (415-455-2000, 711 TDD) for transit information.



The Consolidated Plan, Annual Action Plans, Consolidated Annual Performance and Evaluation Reports, records regarding past use of Community Development Block Grant, HOME Investment Partnerships Program, and Housing Opportunities for Persons with AIDS Program funds, the Civil Rights Policy, the Residential Antidisplacement and Relocation Assistance Plan, the Nondiscrimination Policy, and program files are available for inspection at the Marin County Community Development Agency, 3501 Civic Center Drive, Room 308, San Rafael, California. Copies of documents are available in accessible formats upon request.



## STAFF REPORT

TO: COUNTYWIDE PRIORITY SETTING COMMITTEE

FROM: Roy Bateman, Community Development Manager *Roy Bateman*

SUBJECT: Staff Report for February 24, 2014 Meeting

DATE: February 17, 2014

This staff report provides background information for the Countywide Priority Setting Committee public hearing on Monday, February 24, 2014, at 7:00 p.m., at the B Street Community Center, 618 B Street, San Rafael. (Please note the location of this meeting.) The Countywide Priority Setting Committee has oversight responsibilities for the Community Development Block Grant Program (CDBG) and the HOME Investment Partnerships Program (HOME).

Before the public hearing, from 5:45 p.m. to 6:45 p.m., staff will provide an orientation for new committee members about the CDBG and HOME Programs. All committee members are welcome to attend the orientation workshop and ask questions. *The Orientation Workshop is optional for committee members.* The public is also invited to attend.

### **Request for Public Comment on the Consolidated Plan, Housing and Non-Housing Community Development Needs of Lower Income People, and the Past Performance of the County's Community Development Block Grant (CDBG), HOME, and Housing Opportunities for Persons with AIDS (HOPWA) Programs**

This agenda item is an opportunity for the public to comment on community needs and general issues related to the CDBG, HOME, and Housing Opportunities for Persons with AIDS Programs. The County provides at least two opportunities a year for the public to comment on community needs related to these programs.

### **Update on Federal Budget and Expected CDBG and HOME Grant Amounts**

Delays in setting the federal budget have become so routine that HUD recently issued formal guidelines for localities on how to prepare CDBG and HOME grant applications when their funding allocations are not known before the deadline for filing the applications.

In January 2014, Congress approved an omnibus appropriations bill for federal fiscal year 2014, and the President signed the bill. As a result, we might know our CDBG and HOME formula funding amounts for the 2014-15 program year in about a month. Nationally, funding for CDBG will be 1.5% less than last year, and funding for HOME will be 5% greater than last year. Marin's actual grant amounts will also be affected by any changes in how Marin ranks on demographic factors (population, poverty, age of housing, etc.) in comparison with other grantees. For planning purposes, staff recommends that we assume a 3.5% reduction in CDBG and a 3% increase in HOME.

### **Selection of Community Member for the Priority Setting Committee**

Community residents have been invited to apply to be members of the Countywide Priority Setting Committee and its Local Area Committees. These committees oversee the distribution of CDBG and HOME Program funds in Marin County. The local governments in Marin have expanded the CDBG and HOME committees with the goal of increasing the diversity of these committees, and therefore this recruitment is specifically for individuals who represent the interests of racial and ethnic minorities and/or people with disabilities. The purpose of the expansion of the committees is to bring greater diversity to the group that (1) advises the Board of Supervisors on the CDBG and HOME funding allocation process and (2) provides input on the County's implementation of the Analysis of Impediments to Fair Housing Choice. Most of the community positions on the Priority Setting Committee were filled at the Committee's meeting on September 30, 2013. There is currently one applicant, Luz Maruja Gornall, for a vacancy for a community member from the Lower Ross Valley.

### **Decision on Whether to Process Two CDBG Applications that Did Not Meet Submittal Standards**

The deadline for CDBG applications was December 13, 2013. The CDBG application from the Gates Cooperative arrived two business days after the deadline, due to illness of the preparer. The application for the Sol-Catcher group home was e-mailed before the deadline, but our guidelines do not allow for e-mailed or faxed applications. Staff is asking the Priority Setting Committee to decide whether to waive the normal standards for these two applications.

### **Implications of Revised HOME Regulations that Impose New Timing Requirements**

In our March 17, 2013 staff report recommending funding amounts for HOME projects, County staff noted that there were four equally promising large housing proposals which were not quite ready to begin acquisition or construction, but which needed to collect two or three years' worth of HOME funding in order to have sufficient funding to proceed to acquisition or construction. In that report, we noted the difficulty of predicting which projects would most quickly deal with their various obstacles (design issues, planning approvals, environmental review, obtaining tax credits, fundraising, real estate negotiations, etc.). We warned the

Priority Setting Committee to be prepared to reshuffle priorities and shift funds, so that we would be able to respond when one of the projects reaches a point of readiness to start construction, with the ultimate goal of completing all four projects, one at a time, in a sequence to be determined. At the time, the four projects in the planning stages were Marinwood Plaza, San Anselmo Seminary Housing, Peace Village, and Whistlestop Senior Housing. (Since then, the San Anselmo Seminary Housing project has been cancelled because the owner chose another bidder for the site.)

Then, in July 2013, HUD amended the HOME regulations to add more deadlines for HOME activities. Under the amended HOME regulations:

- Within 2 years after HUD makes an allocation of HOME funds available, the County must enter into a contract with a project sponsor committing the HOME funds to a specific project. But the County is not permitted to enter into a contract to provide a project sponsor with HOME funds unless all necessary financing has been secured, and there must be a reasonable expectation that the project can start construction within 1 year of the contract date.
- A project must be completed within 4 years (5 years if HUD grants an extension) of the date when the County signed the HOME funding contract with the project sponsor.
- Funds must be expended within 5 years after HUD makes the funds available to the County.

If any of these deadlines are not met, HUD can require repayment of funds, even if the County has already spent the money on a project, and regardless of whether the project is eventually completed.

The most serious new requirement is that all other financing must be secured before the County can enter into a contract to provide a project with HOME funds. Paired with the requirement that HOME funds be placed under contract within two years, this could be extremely difficult to implement in Marin County. Most sponsors of affordable housing find that they need a substantial commitment of HOME funds in order to obtain commitments from other sources of funding, particularly if those sources are non-local. For example, in order for an affordable housing development project to successfully compete for low-income housing tax credits, it needs a substantial commitment of local funding, which often includes HOME funds from the local jurisdiction.

There are several possible strategies for meeting the new timing requirements:

- Making preliminary awards (conditional commitments) to several potential HOME projects, tracking each project's progress in obtaining planning approvals and securing other funding, and then shifting those conditional commitments among the

projects in order to meet the timing requirements for final commitments. Last year's funding decisions already put us on this road. While this strategy will help us meet HUD's timing requirements, it could cause chaos for project sponsors who are trying to attract other funders. A project sponsor who has been diligently pursuing local planning approvals, but is being delayed by an unexpectedly long and expensive environmental review process, might be dismayed to find that HOME funds they thought they had secured are being snatched away. In many cases, a project sponsor cites their HOME commitment when they apply to a non-local foundation for funding, or to the state for an allocation of low-income housing tax credits. If a preliminary HOME commitment induces a non-local foundation or the state to make a funding commitment, and then the County cancels that preliminary HOME commitment, why should that non-local foundation or the state give any weight to the County's future preliminary commitments of HOME funds?

- Making final allocations of HOME funds based primarily on deadline pressure. This would mean identifying which projects can meet the HUD timing requirements and directing all the about-to-expire HOME funds to them. In some cases, there might be just one proposed project which meets the HOME timing requirements. The primary question could become "How much can the project legally absorb?" rather than "How much does the project need?" The result might be providing more HOME funds than staff would normally recommend after considering the potential availability of funds from other sources. In that scenario, we might have to ask a project sponsor to ask their other funders if they would allow their grants to be used for tenant services rather than for construction.
- Using HOME funds for rental assistance, or for acquisition and rehabilitation of existing multi-family housing. Using HOME funds for rental assistance requires very little planning time. However, if we ever want to resume using HOME funds for development of new housing, we might have to cancel HOME-funded rental assistance to families who have no other way to afford rental housing in Marin. That problem might be addressed by limiting the rental assistance to families who have a viable plan to resolve their housing affordability issues within one year. A simple acquisition of existing multi-family housing generally requires less lead time than new construction.

### **Broad Policy Directions for Number and Types of Projects**

#### **CDBG Administrative Expenses Likely to Exceed Limit**

It is becoming more of a challenge to operate the Marin CDBG program within the administrative allowance set by the regulations. CDBG regulations limit administrative expenses to 20% of available funds.

The list below shows the trend in the percentage of Marin CDBG funds spent for administration in recent years:

Fiscal Year	Percentage of Marin CDBG Funds Spent for Administration
1999-2000	12.97%
2000-01	15.86%
2001-02	17.57%
2002-03	13.21%
2003-04	11.09%
2004-05	13.09%
2005-06	15.13%
2006-07	16.62%
2007-08	19.50%
2008-09	16.74%
2009-10	19.87%
2010-11	20.00%*
2011-12	18.74%
2012-13	22.69%**

\*The 2010-11 entry includes \$65,500 booked as an unliquidated obligation for accrued liability for future retiree health benefits, which will have the effect of reducing our administrative percentage at some point in the future.

\*\*For 2012-13, because the amount we could bill HUD was limited to 20%, the County general fund absorbed the remaining 2.69% (\$39,116).

Administrative, monitoring, and regulatory requirements from the federal government have been increasing. Congress wants greater accountability and more recordkeeping, and as HUD enhances its computer system, we are asked to feed that system more information. Changes in government accounting standards and local accounting systems require more complex work to assure that transactions are posted correctly. We need to contribute our share of the cost to build a reserve for retiree health benefits. The CDBG Program has cut staff hours, reducing staff from 3 to 2.5 FTE, which has reduced costs but did not affect workload. One way to reduce the administrative workload to match the reduction in staff hours would be to reduce the number of projects we have to administer. If we reduce the number of projects, we will reduce the volume of project contracts, project monitoring reports, invoice processing, and accounting so that our workload can better match our reduced staffing level.

There are certain fixed costs of basic HUD compliance, reporting, 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.

The CDBG program regulations allow us to spend 20% of available grant funds on administrative costs (including staff, rent, overhead, and office expenses). In that formula, available grant funds also include revenue (“program income”) received from past projects, such as repayments of loans made by the Rehabilitation Loan Program and payments in conjunction with the sale of properties that were purchased or improved with CDBG funds.

We expect that the CDBG grant’s allowance for administration will not cover the full cost of CDBG administration this year. Because the program income component of the formula varies from year to year, it is difficult to predict the administrative shortfall. We expect that the 2013-14 shortfall will be approximately \$7,000. However, that amount is artificially low because our half-time Planner position has been vacant for more than half of this fiscal year. That position was filled earlier this month, and the cost of that position will increase the administrative shortfall in the 2014-15 fiscal year. Because the CDBG program is operated by the County, the County is solely responsible for this financial exposure and would have to absorb any excess expenses.

#### Reducing the Overall Number of Projects

Over the last 13 years, the number of CDBG projects funded each year has fluctuated between 30 and 52 projects per year. In the 2011-12 program year, Marin funded 37 CDBG projects, consisting of 14 housing projects, 5 capital projects, and 18 public service projects. Last year, Marin funded 32 CDBG projects, consisting of 12 housing projects, 4 capital projects, and 16 public service projects.

In order to bring actual CDBG administrative costs in balance with the administrative allowance provided by the CDBG grant, staff recommends that we fund fewer projects in the 2014-15 program year. Administrative costs are not strictly proportional to the number of projects, partly because there is a fixed cost for meeting HUD planning and reporting requirements.

Staff recommends that the Countywide Priority Setting Committee set a goal of reducing the number of CDBG projects to a range between 27 and 30 projects, and ask all Planning Areas to join in this difficult process.

#### Spending Deadlines

The ability to spend funds quickly has become increasingly important. Under pressure from Congress, HUD has become more aggressive about taking funds away from communities that can’t spend them fast enough. HUD takes sanctions if a community has unspent CDBG funds that exceed 1.5 times its annual CDBG grant amount. We are



typically very close to the allowable limit of unspent funds. If our CDBG grant declines, the amount of unspent funds we are permitted to hold also declines. Recent revisions in the HOME regulations, discussed above, place multiple timing requirements on the use of HOME funds. Therefore, we should be careful to target CDBG and HOME funds to projects that are ready to proceed.

### **Renewal of City-County CDBG Cooperation Agreements**

The Community Development Block Grant Program (CDBG) provides grants from the U.S. Department of Housing and Urban Development (HUD) to local governments for housing, community facility, and human service programs serving lower-income people. The HOME Investment Partnerships Program (HOME) provides additional assistance for housing activities. Marin County qualifies for both the CDBG and HOME programs because the cities have signed cooperation agreements to participate with the County government in a single joint countywide program. This qualifies Marin County as a HUD “urban county,” enabling Marin to receive annual CDBG and HOME grant allocations established by formula.

In 2011, all of the cities in Marin entered into three-year CDBG Cooperation Agreements enabling us to continue to obtain formula funds as an urban county. Renewal of the Cooperation Agreements by June 30, 2014 is required for Marin County to remain eligible to receive funds for the next three fiscal years.

We expect that the 2014 Cooperation Agreement will be very similar to the 2011 agreement, with only minor revisions. Most of the provisions are mandated by HUD, and the others describe existing local processes. (Appendix 1, beginning on the next page, provides a summary of the local processes for cities over 50,000 population.) Early this spring, staff will send the 2014 Cooperation Agreements to city/town managers for Council approval.

Staff hopes that the Councilmembers on the Priority Setting Committee will help facilitate the local renewal process. If Priority Setting Committee members have any questions about the Cooperation Agreement, they are invited to contact Roy Bateman at the Marin County Community Development Agency at 473-6698.

**APPENDIX 1**

**CDBG FUNDING ALLOCATION SYSTEM  
FOR CITIES OVER 50,000 POPULATION**

Since 1974, the County of Marin and the cities in Marin County have jointly received Community Development Block Grant (CDBG) funds as an “urban county.” Originally, Marin County qualified for CDBG formula funding because all eleven cities signed cooperation agreements to participate with the County government in a single joint countywide CDBG program. This gave Marin a total population sufficient to qualify as an “urban county” under the CDBG regulations, enabling Marin to receive annual CDBG formula allocations.

Before 2000, interjurisdictional committees made recommendations for the allocation of all CDBG funds, except in West Marin (where there are no cities and the local “committee” consisted of one County Supervisor). In 1999, the City of San Rafael was certified as having a population that exceeds the 50,000 threshold that would make it eligible to choose to receive CDBG funds independent of the rest of the County. The City of San Rafael agreed to remain part of the CDBG “urban county,” but asked that the CDBG allocation system be modified to create more stability in the level of CDBG funding allocated to projects in San Rafael, and to give the City Council more control over the use of CDBG funds in San Rafael. In the long run, it is important to retain cities in the CDBG “urban county” to maximize the likelihood that Marin County will qualify for formula funds from HUD programs that may be created in the future.<sup>1</sup> At the request of the City of San Rafael, the Fiscal Year 2000-02 City-County Cooperation Agreements that established the system for distribution of CDBG funds included several changes to increase the authority of any city that reaches 50,000 population over its share of the County’s CDBG allocation. (These changes have also been included in the City-County Cooperation Agreements for subsequent periods.)

In November 2006, we received notification from HUD that the City of Novato had reached 50,000 population. This gave Novato the option to switch to the system that had been used by San Rafael. The 2008-09 CDBG funding cycle was the first where the Novato City Council assumed the expanded role for cities over 50,000. In the 2010-11 funding cycle, the Novato City Council expanded its role to include the public service component of the Novato CDBG allocation.

In 2012, the Priority Setting Committee and most of its local subcommittees were expanded to add representatives of racial and ethnic minorities and people with disabilities.

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<sup>1</sup> For example, while the American Dream Downpayment Initiative was technically a component of the HOME Program, it used a separate funding formula. The 2003 formula was set so that if it resulted in an allocation below \$50,000, the community got nothing. Marin’s Fiscal Year 2003 allocation was \$65,799. If HUD treated San Rafael and the rest of Marin as two separate entities, it is likely that the 2003 formula would have assigned each of the two entities less than \$50,000, so Marin would have received nothing. Similarly, when HUD announced its new Homelessness Prevention Program in 2009, Marin County received a \$659,106 formula allocation. The minimum formula allocation was \$500,000, so the likelihood is that if Marin were split into two or three separate entities, Marin would not have received any formula funds from this new special program.

The following table summarizes the changes in the CDBG allocation system adopted in 1999, as they are now implemented by San Rafael and Novato.

<b>Past System</b>	<b>System for Cities Over 50,000 Population</b>
<p>Recommendations for the allocation of the housing, capital, and public service components of a Planning Area’s funds were made by a Local Area Committee, consisting of one representative from the City and one County representative, with advice from County staff. All funding allocations were subject to final approval by the Marin County Board of Supervisors.</p>	<p>Recommendations for the allocation of the housing, capital, and public service components of the Planning Area’s funds may be made by the City Council, with advice from City staff. (San Rafael has chosen to maintain the old system for the allocation of the public service component of the Planning Area’s funds, so that public service allocations are made by a Local Area Committee, including one representative from the City and one County representative, with advice from County staff.) All funding allocations continue to be subject to final approval by the Marin County Board of Supervisors.</p>
<p>At least 30% of each Planning Area’s funds must be spent for housing. Traditionally, each Planning Area has spent the maximum allowed by HUD regulations for public service projects.</p>	<p>The City Council determines how much of its Planning Area allocation will be spent for housing, capital, and public service projects, subject only to the limits set by HUD regulations for public service projects.</p>
<p>CDBG Countywide Housing funds were allocated to housing projects by the Countywide Priority Setting Committee, without regard to location, with advice from County staff.</p>	<p>The City’s proportional share of CDBG Countywide Housing funds has been added to (and become part of) the City’s Planning Area funds, and is allocated to housing and non-housing projects by the City Council, with advice from City staff.</p>
<p>Unincorporated areas within the City’s zip codes were part of its Planning Area.</p>	<p>No change.</p>
<p>Recommendations for the allocation of HOME Program funds were made by the Countywide Priority Setting Committee, without regard to location, with advice from County staff. All funding allocations were subject to final approval by the Marin County Board of Supervisors.</p>	<p>No change. The City retains a seat on the Countywide Priority Setting Committee.</p>
<p>The Board of Supervisors holds the final hearing on use of all CDBG and HOME funds.</p>	<p>No change.</p>

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APPLICATION FOR APPOINTMENT TO  
MARIN COUNTYWIDE PRIORITY SETTING COMMITTEE AND/OR LOCAL AREA COMMITTEE

Name Luz Maruja Gornall Email eclectic.cuisine@sbcglobal.net

Home Address 863 Magnolia Ave. #100  
Street

Larkspur CA. 94939 Telephone: (415) 927 7897 home  
Town Zip

Employer's Name Self-Employed Telephone: (415) 465-0011 cell  
& Address

Present Occupation Caterer Are You Over 18 Years of Age Yes

Committee(s) Applied for  Countywide Priority Setting Committee  
 Local Area Committee

If you represent an organization, please list it \_\_\_\_\_

Reasons for Applying To help in the community.

Relevant Experience \_\_\_\_\_

Additional pages and information may be attached.

List any organizations of which you are an officer or an employee that are funded by or may request funding from the Community Development Block Grant or HOME programs: \_\_\_\_\_

Date 11/04/13 Signature Luz Maruja Gornall

Please return to: County of Marin  
Federal Grants Division  
Marin County Community Development Agency  
3501 Civic Center Drive Room 308  
San Rafael, CA 94903-4157  
Phone: 415-499-6279 (fax) 415-499-7880