



Atascadero City Council

Staff Report – Public Works Department

Community Development Block Grant Program Fiscal Years 2009 through 2011

RECOMMENDATION:

Council authorize continued participation in the Urban County Community Development Block Grant Program for Fiscal Years 2009 through 2011.

DISCUSSION:

Background: Beginning with the 1994/95 fiscal year, the City of Atascadero has participated with the County of San Luis Obispo and other cities as part of the "urban county" Community Development Block Grant (CDBG) program. Urban counties receive annual, formula-based grants directly from the federal department of Housing and Urban Development (HUD) under the CDBG, HOME Investment Partnerships (HOME) and the Emergency Shelter Grants (ESG) programs. Cooperative agreements between the participating jurisdictions established a formula allocating CDBG funds by jurisdiction. The HOME and ESG funds are not formally divided up, but the cities provided recommendations to the county on these programs.

On May 13, 2008 the County, pursuant to HUD regulations, notified the City of its right to elect to continue to participate in the CDBG program by choosing from the following options:

1. Join the urban county to receive CDBG allocations through the county.
2. Become a stand-alone CDBG entitlement jurisdiction to receive CDBG funds directly from HUD.
3. Decline a formula CDBG allocation or entitlement and become an applicant to the competitive State CDBG program.

Analysis: Staff has reviewed each of the three options available to the City. Staff recommends continuation of the current CDBG allocation by participating as part of the "urban county" program (Option 1). This option is preferred for the following reasons:

1. Participation in the State CDBG program (Option 3) is competitive in nature and there is no guarantee that the City would receive any CDBG funding from year to year.
2. Becoming a stand-alone City would require the City to meet all of the HUD regulations as a grant recipient, including preparation of a five-year plan, annual allocation plan, preparation of various federally required reports, and other administrative activities. This would require additional staff resources to be allocated toward grant administration over and above those currently allocated.
3. The City would be able to obtain more CDBG funds through the State than the "urban county" program, potentially securing \$500,000 to \$830,000 in a competitive cycle. However, participation in the State program requires the City's Housing Element of the General Plan to be State certified, and the current element does not meet these requirements.
4. The administration and distribution of HOME and other housing funds would continue to be administered by the County. Although the City would be eligible for more funding as part of the State's competitive process, it would be required to administer the projects and activities for which funding was allocated.
5. Administration of the CDBG program is a highly regulated and technical process and the County has staff that specializes in this area. Additional training and participation in HUD activities would require additional staff resources.
6. The funding allocation the County uses for City allocations is identical to the formula used by HUD if the City received a direct allocation. There may be some additional increase in funding levels as a direct entitlement city; however, it would be offset by the increases in administration required for direct participation.

Participation as part of the "urban county" allocation program would continue to provide the City with annual allocation of CDBG funds and continue to limit the amount of time required by the City for program administration which would increase with either of the remaining options. Participation in the program is for a three- (3) year fiscal year cycle; therefore the City will be able to re-evaluate its options prior to the next three-year cycle.

Continued participation in the CDBG program with the County provides continued allocation of CDBG funding to Atascadero while limiting the financial and administrative resources necessary to participate in the program overall.

The current Agreement is automatically renewed unless the City notifies the County in writing of our intent to terminate.

FISCAL IMPACT:

Continued availability of approximately \$190,000 annually during the next 3 years for CDBG eligible programs.

ALTERNATIVES:

The Council may choose to participate as a stand-alone CDBG entitlement jurisdiction or become an applicant to the competitive State program.