

**CITY OF LODI
INFORMAL INFORMATIONAL MEETING
"SHIRTSLEEVE" SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, JUNE 3, 2008**

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, June 3, 2008, commencing at 7:03 a.m.

A. ROLL CALL

Present: Council Members – Hitchcock, Hansen, Johnson, Katzakian, and Mayor Mounce

Absent: Council Members – None

Also Present: City Manager King, City Attorney Schwabauer, and City Clerk Johl

B. TOPIC(S)

B-1 "Presentation Regarding Community Development Block Grant Entitlement Process"

City Manager King briefly introduced the subject matter of the Community Development Block Grant (CDBG) entitlement process.

Community Improvement Manager Joseph Wood provided a PowerPoint presentation regarding the CDBG entitlement process. He discussed specific topics including a general overview of the process, issues for consideration for CDBG funds, issues for consideration for HOME funds, HOME fund options consortium, state of the California HOME program, issues for consideration with program income, and a proposed calendar.

In response to Council Member Hitchcock, Mr. Wood stated the \$800,000 figure is the average of all cities within our population range and the City of Lodi should receive that amount as well.

In response to Mayor Pro Tempore Hansen, Mr. Wood stated the City would receive at least the 6% amount currently taken by the County for administration purposes.

In response to Mayor Mounce, Mr. Wood stated the City would receive the allocation directly and take the 20% for administration of the program.

In response to Mayor Mounce, Mr. Wood stated the City currently performs some of the tasks already and has the resources to administer the program directly.

In response to Council Member Johnson, Mr. Wood stated the \$160,000 figure would cover the administration of the down payment assistance and loan program, which would be something new.

In response to Council Member Hitchcock, Mr. King stated staff is not directly making a case for one way or another but would like to present the Council with the pros and cons for both sides.

In response to Mayor Pro Tempore Hansen, Mr. Wood stated the process would include establishing the City as an entitlement city for CDBG and participating in a consortium with the State with greater funding opportunities for the HOME program. He stated the down payment assistance funds are usually spent within the first three months of the program year, the city of Stockton is its own entitlement city for both CDBG and HOME, and the City of Lodi would be the only entitlement city in the County to have its own CDBG program and go through the State for the HOME program.

In response to Mayor Pro Tempore Hansen, Mr. King provided a brief overview of the history of Department of Housing and Urban Development (HUD), the CDBG program, the consortium process, available funding options, the County process versus the State process, and the competitive nature of the consortium process whereby some years may generate larger funding amounts while others generate none.

In response to Mayor Pro Tempore Hansen and Mayor Mounce, Mr. Wood confirmed that the State's CDBG program has been in place since the 1970s, the HOME program has been in place since the 1990s, and, although the program is pretty solid, there may be cuts when the federal budget is tight.

In response to Council Member Hitchcock, Mr. Wood confirmed that, while the City cannot currently compete with other cities in the HOME program for larger amounts and with the new program, the City would receive approximately \$800,000 for CDBG and an opportunity to compete with other cities for a larger amount in HOME program funding.

In response to Mayor Mounce, Mr. Wood stated each agreement is for a three-year period without opt-out provisions. He stated he did not recall the matter being considered a few years ago.

In response to Mayor Mounce, Mayor Pro Tempore Hansen stated he does anticipate a significant impact with the San Joaquin Council of Governments and the One Voice trip if the City was to become an entitlement city because the lobbying efforts focus on the program as a whole rather than individual city funding.

In response to Council Member Johnson, Mr. Wood stated the annual allocation is the amount expected from HUD in order to provide a clearer read of the numbers for the current year and future numbers may vary based on future budgets.

Discussion ensued between Council Member Hitchcock, Mr. King, and Mr. Wood regarding a possible recommendation of going with the State versus the County at the June 18 City Council meeting, City numbers being determined by last census statistics, the County losing money spread out over various cities, and options with HOME program funding.

In response to Council Member Hitchcock, Mr. King stated HOME program funding was used for the Loel Center one year and to provide down payment assistance on other years.

In response to Council Member Hitchcock, Mr. King confirmed that the CDBG funds would be somewhat guaranteed while the HOME program funds would not be.

In response to Mayor Pro Tempore Hansen, Mr. Wood stated there may be some question as to whether the County is willing to transfer program income for the down payment and housing rehabilitation assistance that is already in existence. He stated going through the State may allow for a larger amount to be put into the community and eventually back in to the program as income.

In response to Mayor Mounce, Mr. Wood stated staff will provide the numbers with respect to how much program income would be lost if the County said no to the request.

In response to Council Member Katzakian, Mr. Wood stated affordable housing options could become more competitive for the City because there would be funding available for City participation with interested developers.

In response to Council Member Katzakian, Mr. Wood stated an application would have to reference a specific project and the strength of the project would be used to show competitiveness.

Council Member Hitchcock requested data on other communities that use the State HOME program and related funding availability and awards over a five- to ten-year period.

Continued June 3, 2008

A brief discussion ensued between Mayor Mounce and Mayor Pro Tempore Hansen regarding poverty levels in the City and how they are related to competition for the HOME program.

Mayor Mounce requested a list of possible affordable housing options and site locations.

In response to Council Member Johnson, Mr. King stated some counties and cities do not have the ability to participate in a consortium and therefore the State program is a more viable option.

In response to Mayor Mounce, Mr. Wood confirmed that there is no other city in San Joaquin County other than Stockton that participates as an entitlement city.

In response to Mr. King, Mr. Wood stated the most active use of the HOME program currently is down payment assistance and few applications have been received for housing rehabilitation.

C. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS

In response to Council Member Johnson and Mayor Mounce, City Attorney Schwabauer stated the subject matter of Council interest and participation in the labor negotiation process will be brought forth for Council discussion and consideration at a future agenda meeting.

D. ADJOURNMENT

No action was taken by the City Council. The meeting was adjourned at 7:52 a.m.

ATTEST:

Randi Johl
City Clerk



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Community Development Block Grant Entitlement Process
MEETING DATE: June 3, 2008
PREPARED BY Community Development Department

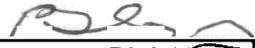
RECOMMENDED ACTION: Receive presentation from staff regarding the Community Development Block Grant (CDBG) Entitlement process.

BACKGROUND INFORMATION: Lodi is currently considering its options for receiving Community Development Block Grant (CDBG) funding, which may be received as a pass-through from San Joaquin County or directly from the US Department of Housing and Urban Development (HUD). This report considers the current status of funding, benefits and drawbacks to each approach, and a proposed calendar for a transition.

Lodi currently receives housing and community development funds through San Joaquin County (SJC), which distributes a portion of its HUD funding each year. SJC currently provides approximately \$715,000 in CDBG funds and \$265,000 in HOME Investment Partnerships Program funds. Since 1985, the City has entered into an agreement with SJC to participate in the Urban County, which allows the County to receive funding based on Lodi's demographics. The County, using a formula that accounts for population and poverty, determines the amount of funding available for Lodi to use toward projects within its boundaries. The County also allows the City to use income gained from previous projects (e.g., housing rehabilitation loan payoffs), known as program income, to fund various programs and projects.

SJC, as the HUD grantee, is responsible for allocating all funds and ensuring the projects meet all federal requirements. The County generally charges approximately 6 percent of the grant amount to provide administration oversight, and allows the City to allocate a maximum of 14 percent to administering projects. The County provides assistance in planning and reporting, financial functions, and labor standards compliance, as well as manages the housing rehabilitation and first-time homebuyer programs.

Lodi currently meets the population requirement to become a CDBG entitlement, and would be eligible to receive funding directly from HUD. However, the City may not void its agreement with SJC during the agreement term, which expires on September 30, 2008. The City can elect not to continue receiving CDBG and HOME funds through the Urban County entitlement for the 2009 federal fiscal year (October 1, 2008 – September 30, 2009). Staff would have to notify the County and HUD of its withdrawal from the Urban County for FFY 2009 in June 2008. Lodi would most likely begin receiving CDBG funds as an entitlement on July 1, 2009.

APPROVED: 
Blair King, City Manager

In determining whether or not to pursue entitlement status, there are a number of considerations, which are discussed below.

HOME FUNDS

The City would not qualify as a HOME participating jurisdiction, and would not be able to receive HOME funds annually based on a formula allocation. (Based on an estimate of the City's population, poverty levels, and rental housing with significant deficiencies, the City would receive approximately \$400,000 in HOME funding. The minimum amount needed to qualify for a formula allocation is \$500,000.) If the City elects not to renew its agreement with the Urban County, there are two options that the City has for receiving HOME funding:

1. Participate in a HOME Consortium with the cities and unincorporated areas of SJC (excluding Stockton). This would be similar to the HOME funding structure that exists currently, but would require that Lodi and SJC agree to participate in the Consortium. SJC has not expressed interest in creating a Consortium, but without an Urban County or Consortium agreement, SJC would not continue to receive funding based on Lodi's population, poverty, and housing indicators.

Pros: Freedom to develop innovative programs and direct funding to projects most important to the City. City could maintain its current programs, and continue to allow SJC staff to implement them.

Cons: May not receive a large allocation from the Consortium. Funding major projects may be difficult. SJC may not be willing to pursue Consortium formation.

2. Apply to the California Department of Housing and Community Development (HCD) for HOME funding on an annual basis. In the event that the City did not participate in a HOME Consortium, Lodi's preliminary allocation would be transferred to the state, and Lodi would be eligible to apply for the HCD-administered programs. Community housing development organizations (CHDOs) would also be allowed to apply for funding for projects in Lodi. Recent HOME program limits have been \$800,000 for programs (first-time homebuyer assistance and housing rehabilitation) and up to \$5 million for some rental housing development projects. Applications for funding are ranked competitively; some years are very competitive, others less so. In general, Lodi would be competitive and would have a good chance at winning funding.

Pros: Funding amounts available may be significantly larger than those available through Consortium allocation. May encourage CHDOs to consider Lodi for affordable housing projects.

Cons: Funding is competitive, and some years Lodi may not receive any funding. Programs and projects are limited by HCD's program guidelines, which may limit creativity. Programs and projects currently funded using HOME dollars may not be competitive. Housing rehabilitation and first-time homebuyer programs may require the City to hire staff or a consultant for implementation.

PROGRAM INCOME

Lodi has program income from both the CDBG and HOME programs. Currently, as the administering body of each program, SJC retains discretion and responsibility for the use of CDBG and HOME funding, including all program income. The County would continue to collect program income on any program or project funded within Lodi before the City became an entitlement. The County could transfer program income earned from CDBG activities undertaken within city boundaries to Lodi's new entitlement

CDBG Entitlement Process

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program, although it is not required and the benefit to SJC in doing so is unclear. This is one of several issues that would be negotiated with SJC.

The City would need to negotiate with SJC on the **use** of CDBG and HOME program income. If the County does not agree to transfer program income, any CDBG program income would likely need to be committed to current projects and fully expended before or shortly after the City leaves the Urban County. HOME program income would likely continue to be available to the City if a Consortium were formed, although the County would retain discretion over its expenditure. In the event that the City does not become part of a HOME Consortium, program income from HOME-funded programs and projects would probably not be available to the City.

ANALYSIS

Becoming an entitlement would have both benefits and drawbacks for the City. As an entitlement, Lodi would most likely receive a similar amount of CDBG funding, as the County calculates City funding using a formula very similar to the formula HUD uses. Lodi may gain additional freedom in managing and operating its programs, including the ability to fund some programs the SJC has been unwilling to support. The City would be able to allocate the full 20 percent of its grant amount for administration expenses, although there would also be new administrative requirements, such as the production of a five-year plan, annual spending plan, and annual performance report. The City may also incur additional expense in setting up tracking systems, finance procedures, etc.

If Lodi becomes an entitlement, the City may see its HOME dollars increase or decrease, depending on a variety of circumstances. It is possible that the City would lose access to the income potential of its extensive loan portfolio, which provides significant ongoing funding to housing rehabilitation and first-time homebuyer assistance programs. However, it is also possible that the City could qualify for larger amounts of HOME funding through the state, and this would encourage new affordable housing construction.

Overall, determining what would happen with HOME funding will probably play a major part in the City's decision on whether or not to become an entitlement. It may be worthwhile to discuss with SJC the City's consideration of entitlement status to ascertain whether the County would be interested in forming a HOME Consortium and to explore the program income issues.

| ALLOCATIONS VIA SJC | | ALLOCATIONS VIA ENTITLEMENT | |
|---------------------------------|-------------|--------------------------------|-----------------|
| SJC Allocation: | \$3,517,106 | Lodi Allocation: | \$800,000 (est) |
| SJC Program Admin (6%) | \$ 211,026 | Lodi Program Admin (20%) | \$160,000 |
| Lodi Allocation: | \$ 692,597 | Funding Available for Projects | \$640,000 |
| Lodi Program Admin (14%): | \$ 96,963 | | |
| Funding Available for Projects: | \$ 595,634 | | |

PROPOSED CALENDAR

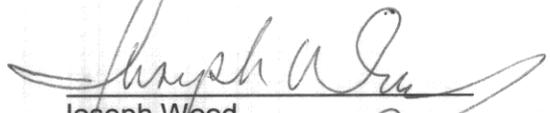
The proposed calendar reflects the City's commitment to participating in the Urban County through FFY 2008, which ends September 30, 2008. There is a discrepancy between the federal fiscal year, on which the agreement is made, and the funding availability, which runs on a July 1 – June 30 fiscal year. FFY 2008 funds are used by the Urban County for the period July 1, 2008 through June 30, 2009. It is not clear whether the City would have access to these funds throughout FY 2008-09. Further conversation with SJC and a HUD representative could clarify this issue.

The City would have the option of running its CDBG program on the calendar year or the fiscal year. However, HUD strongly recommends using the fiscal year, as this is consistent with the City's budget year, and allows adequate time for federal budget approval delays in Washington. Therefore, the proposed calendar is for an entitlement program beginning July 1, 2009.

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|-----------------------|---|
| Mid 2008 | Open discussions with SJC and HUD on Lodi's plan to become a CDBG entitlement; discuss the possible formation of a HOME Consortium |
| June 13, 2008 | Notify HUD of intent to participate in HOME program as a Consortium (if applicable) |
| June 13, 2008 | Notify SJC and HUD of plan to terminate cooperation agreement for FFY 2009 |
| June 30, 2008 | Submit all required HOME Consortium documents to HUD (if applicable) |
| Late 2008 | Set up meeting with HUD staff to go over entitlement process |
| January 1, 2009 | Begin Consolidated Plan and Action Plan process |
| January 2009 | Collect data for Housing and Community Needs Assessment; prepare draft Citizen Participation Plan |
| Mid-January 2009 | City Council explanation of Consolidated Plan and Action Plan development process and get input on funding priorities; Council approval of draft Citizen Participation Plan |
| Late January 2009 | Hold public meetings to gather input on community needs and funding priorities; survey local service providers |
| February 2009 | Develop Strategic Plan component of Consolidated Plan |
| February 1, 2009 | Release and advertise applications for CDBG funding |
| Early March 2009 | Applications for public services, housing, and public improvements project due |
| Mid-March 2009 | Review of applications and staff recommendation preparation |
| Late March 2009 | City Council adoption of Citizen Participation Plan and approval of draft Consolidated Plan and Action Plan for public review |
| April 1 - May 1, 2009 | Consolidated Plan and Action Plan public review period |
| Early May 2009 | City Council adoption of Consolidated Plan and Action Plan |

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|---------------|--|
| May 15, 2009 | Consolidated Plan and Action Plan due to HUD |
| June 2009 | Preparation of programs and agreements for 2008-09 year |
| June 15, 2009 | HUD review of Consolidated Plan and Action Plan complete |
| July 1, 2009 | CDBG funds available |
| July 1, 2010 | Goal for closeout of all CDBG activities funded by SJC |

FUNDING AVAILABLE: N/A



Joseph Wood
Community Improvement Manager
Community Development Department

CDBG Entitlement Process

Presented by
Community Development Department

June 3, 2008

CDBG Entitlement Process

- Lodi currently receives Federal CDBG/HOME Program funding through San Joaquin County (SJC).
 - Cooperative Agreement since 1985
 - As HUD Grantee, SJC oversees administration/grant activities.
 - Assists with:
 - Planning and reporting
 - Financial functions
 - Labor standards compliance
 - Manages the Housing Assistance Loan Programs
-

CDBG Entitlement Process

- Lodi is eligible to become an Entitlement community for CDBG funding.
 - Population over 50,000
 - Cooperative Agreement expires September 30, 2008.
 - Opportunity to either stay with Urban County or withdraw and pursue Entitlement status.
 - Number of considerations when making the determination.
-

Issues to Consider – CDBG Funds

- Likely to receive the same or slightly larger annual CDBG allocation.
 - Comparable cities received an average of \$800,000 in 2008.
 - In comparison to Lodi's 2008 allocation: \$692,000
 - Able to take full share of allowed Admin allocation.
 - Currently, SJC takes 6% of the allocation from HUD.
 - Lodi takes 14% of our allocation.
 - New Administrative Responsibilities
 - Five-Year Plan, Annual Spending Plan, Annual Performance Report
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Issues to Consider – HOME Funds

- Lodi would not qualify as an Entitlement for HOME Program funds.
 - Based on estimate of population, poverty levels, rental housing with significant deficiencies, Lodi would qualify for \$400,000.
 - \$500,000 is the minimum amount needed to qualify for a formula allocation.
 - Two Options for pursuing HOME Funds
 - Establish a Consortium with SJC and other participating cities.
 - Apply to State of California Housing and Community Development HOME Program.
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HOME Fund Options - Consortium

- Similar to current HOME funding structure with Urban County.
 - Would require that participating cities and SJC all agree to form a Consortium.
 - No benefit to other participating jurisdictions.
 - Without either a Consortium or Urban County Cooperative Agreement, SJC would not be able to receive funding based on Lodi's population, poverty and housing indicators.
 - HUD Funds would instead go to State HOME Program.
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HOME Fund Options – State of California HOME Program

- Apply for HOME Funds for specific projects/programs.
 - Up to \$800,000 for programs.
 - Housing Assistance Loan Programs
 - Up to \$5 Million for some housing development projects.
 - Applications are ranked competitively.
 - Competition varies from year to year.
 - Lodi could be very competitive with certain opportunities that we have for affordable housing development.
-

HOME Fund Options – State of California HOME Program

- Programs are limited by State program guidelines.
 - Housing Assistance Programs may need additional staffing/consulting services for implementation.
 - Loan review, processing and servicing.
 - Administrative costs covered under HOME funding received.
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Issues to Consider – Program Income

- Program income from both CDBG and HOME Programs.
 - As part of the Urban County agreement, SJC retains discretion and responsibility for use of all funding, including program income.
 - SJC would continue to collect program income on any project funded within Lodi before the separation.
 - The County “**could**” transfer program income to the new entitlement.
 - SJC is not required to do so.
 - This would be one an issue for negotiation between SJC and the City before formal action is taken.
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Proposed Calendar

- June 2008
 - Notify HUD/SJC of our intent.
 - Late 2008
 - Begin meetings with HUD on Entitlement process.
 - January-March 2009
 - Begin Consolidated Plan and 5-Year Action Plan Process
 - Public input on funding priorities.
 - Council approval of draft Citizen Participation Plan.
 - Open application process.
 - April-June 2009
 - Public comment period for Draft Consolidated Plan/Action Plan.
 - Council approves Consolidated Plan/Action Plan
 - July 1, 2009
 - CDBG Funds Available for 2009/2010 Program Year
 - July 1, 2010
 - Goal for close-out of all CDBG activities funded by SJC.
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Proposed Calendar

- Most Immediate Actions Leading to June 18th Council Action
 - Determine what CDBG allocation would be.
 - Negotiate agreement with SJC.
 - Use of Program Income
 - Possible Consortium for HOME Program Funds
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Staff Presentation Complete

- Questions?

