



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Adopt Resolution Authorizing the City Manager to Notify the U.S. Department of Housing and Urban Development (HUD) and San Joaquin County (SJC) of our Intent to Discontinue Participation in the Urban County for the 2009-2011 period, and our Intent to Receive Community Development Block Grant Funds Directly from HUD as a Metropolitan City.

MEETING DATE: June 18, 2008

PREPARED BY: Community Development Department

RECOMMENDED ACTION: Council adopt Resolution authorizing the City Manager to notify HUD and SJC of our intent to discontinue participation in the Urban County for the 2009-2011 period, and our intent to receive CDBG funds directly from HUD as a metropolitan city.

BACKGROUND INFORMATION: Since 1985, the City has entered into a cooperative agreement with SJC to participate in the Urban County, which allows Lodi to receive housing and community development funds through San Joaquin County (SJC), which distributes a portion of its HUD funding each year. The County, using a formula that accounts for population, poverty and the age and condition of the housing stock, determines the amount of funding available for Lodi to use toward projects within its boundaries. The County currently provides approximately \$715,000 in CDBG funds and \$265,000 in HOME Investment Partnerships Program funds. 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.

Lodi currently meets the population requirement to become a CDBG entitlement entity, and is eligible to receive funding directly from HUD. However, the City is bound to 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). The City is required to notify the County and HUD of its decision to either withdrawal from or remain with the Urban County for FFY 2009 by June 13, 2008. Staff has requested and received a one-week extension to that deadline to allow this to be brought before Council. Lodi would begin receiving CDBG funds as an entitlement on July 1, 2009, if the decision is made to separate from the Urban County.

In the Shirtsleeve presentation to the Council on June 2, 2008, Staff identified the following three key issues for your consideration before a decision is made whether to separate from the Urban County or not.

APPROVED: _____
Blair King, City Manager

1. EFFECT ON OUR CDBG ALLOCATION

The formula used by the County in determining our annual allocation as part of the Urban County is the same as that which HUD would use in determining our annual allocation as an entitlement community. Therefore, there would be no reduction in CDBG funds based upon our move from the Urban County. It is likely the City's allocation as an entitlement would be slightly higher, approximately \$734,000 annually, because the County would no longer take six percent of the total grant amount for administration. As noted in recent years, there are fluctuations in the annual allocation based upon the Federal budget and the annual allocations to both Urban County jurisdictions and Entitlement communities are subject to those increases/decreases.

2. HOME FUNDS

The City does 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 qualifies for 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.
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. Applicants are evaluated primarily on their capability to implement the program or project (including past experience with similar projects), prior performance with HOME grant reporting, community need, project feasibility, and project readiness. Competition varies from year to year, depending on the amount of funding available and the number of jurisdictions eligible (jurisdictions may not have a large balance of HOME funds from previous grants). Within the past five years, there was at least one round in which all applicants meeting threshold criteria received funding.

Currently, 218 communities are eligible to apply for funding. Since 2003, 129 communities have been awarded funding for housing programs or projects (see Attachment A). Typically, award amounts for down-payment assistance or rehab programs are around \$600,000 to \$800,000, while new construction projects generally are awarded about \$1.5 million.

In recent discussions with the County, it was fairly clear that they would not be willing to pursue the formation of a Consortium as there is no clear benefit for the County or any of the other participating jurisdictions within the Urban County to go through such an effort.

Therefore, it is clear that our only remaining option is to pursue HOME funding through the State HCD Program each year. Through the State Program, Staff believes that we can be competitive in our applications for both housing assistance programs and affordable housing projects, and that there is a greater opportunity for larger funding amounts that will allow us to be more effective at addressing our housing needs.

3. 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 program, although it is not required and the benefit to SJC in doing so is unclear.

In our recent discussions with the County, they are willing to come to an agreement to transfer our program income to us as an entitlement community, providing that we are able to resolve any outstanding reimbursement issues. They seemed very interested, as are we, in maintaining a good working relationship between our two agencies whether we remain in the Urban County or not.

SUMMARY

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 does not appear 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 very apparent that while the City could qualify for larger amounts of HOME funding through the State and the additional funding would allow us to be more effective in addressing our housing needs, the process for obtaining that funding is competitive and there is a risk that in some years we would receive no HOME funding at all.

Overall, Staff does recommend that the City pursue entitlement status with HUD for the direct allocation of CDBG funds and that we seek HOME Program funds through the State HCD Program.

FISCAL IMPACT: Annual CDBG allocation amounts are not to be affected by the change. A greater percentage of the annual CDBG allocation would be dedicated toward program administration, allowing for the program to be self-sufficient and not require General Fund support. There amount of HOME Program funding would vary from year to year, but there would be no impact on the General Fund.

FUNDING AVAILABLE: 2009/10 HUD Allocation of CDBG Funds – July 1, 2009

Kirk Evans, Budget Manager

Joseph Wood
Community Development Department

Attachments

cc: Jon Moore, SJC Community Development

**California Department of Housing and Community Development
HOME Program Funding, 2003-2007**

Jurisdiction	Funding by Year				
	2003	2004	2005	2006	2007
Amador County				\$800,000	
Anderson				\$800,000	\$2,000,000
Angels Camp			\$800,000		\$800,000
Apple Valley	\$300,000	\$200,000			
Arcata		\$4,500,000	\$800,000		
Artesia				\$600,000	
Atwater	\$400,000	\$700,000		\$800,000	\$800,000
Avenal	\$300,000	\$700,000	\$800,000	\$400,000	\$800,000
Biggs		\$466,500			\$600,000
Brawley	\$3,500,000		\$1,500,000		
Butte County	\$600,000	\$1,000,000		\$1,500,000	
Calaveras County		\$700,000			\$800,000
Calexico	\$600,000	\$3,500,000	\$1,413,887	\$500,000	\$800,000
Calimesa					\$508,400
Calipatria		\$3,500,000			
Calistoga				\$1,409,852	\$3,247,184
Capitola				\$2,000,000	
Ceres		\$600,000			
Chowchilla		\$500,000			\$800,000
Coachella	\$600,000	\$800,000			
Colusa			\$500,000		
Colusa County			\$800,000		
Corcoran		\$600,000		\$800,000	
Corning				\$4,000,000	
Del Norte County				\$550,000	\$1,625,000
Delano		\$800,000		\$800,000	\$800,000
Dinuba	\$3,500,000	\$600,000		\$800,000	\$800,000
Dixon	\$400,000				
Dorris				\$410,000	
Dos Palos			\$800,000		
El Centro	\$400,000				\$7,100,000
El Dorado County		\$600,000		\$3,596,052	
Eureka	\$600,000				
Fairfield	\$650,000	\$400,000		\$800,000	
Farmersville	\$500,000			\$800,000	
Firebaugh		\$997,750		\$400,000	\$442,236
Fortuna		\$3,500,000			
Gardena			\$800,000		
Glendora		\$600,000		\$2,800,000	\$800,000
Glenn County			\$765,000		
Gonzales				\$600,000	
Greenfield			\$1,500,000	\$500,000	\$800,000
Hanford		\$3,740,000		\$400,000	\$800,000
Hemet		\$350,000	\$4,200,000		
Hesperia	\$600,000	\$4,534,000	\$4,000,000		
Holtville		\$600,000			
Hughson			\$500,000		
Humboldt County	\$799,931	\$4,464,280	\$3,925,800		\$800,000
Huron			\$1,000,000	\$400,000	\$800,000

**California Department of Housing and Community Development
HOME Program Funding, 2003-2007**

Jurisdiction	Funding by Year				
	2003	2004	2005	2006	2007
Imperial City	\$600,000				
Imperial County	\$3,500,000	\$3,948,300	\$800,000		
Inyo County			\$3,270,000		
Ione				\$500,000	
Jackson		\$800,000	\$800,000	\$800,000	
Kings County		\$700,000		\$800,000	\$800,000
La Habra	\$420,000				\$200,000
Lake County		\$2,717,000	\$1,242,080		
Lakewood		\$600,000			
Lancaster		\$3,500,000			\$4,000,000
Lincoln	\$300,000	\$600,000		\$800,000	
Lindsay	\$400,000	\$1,200,000		\$1,670,000	\$800,000
Livingston					\$800,000
Live Oak				\$800,000	
Los Banos	\$400,000		\$600,000		\$800,000
Madera			\$800,000		\$800,000
Madera County	\$400,000	\$600,000	\$800,000		\$2,000,000
Mammoth Lakes	\$3,500,000	\$3,500,000	\$6,000,000	\$400,000	
Marysville		\$600,000			\$600,000
Mendocino County	\$1,483,335	\$4,200,000	\$568,000	\$3,513,603	
Merced County	\$400,000	\$600,000		\$400,000	\$800,000
Mono County				\$800,000	
Montague				\$205,000	
Monterey	\$246,645	\$542,500	\$800,000		
Monterey County	\$3,825,500	\$2,800,000	\$1,100,000	\$621,440	\$8,000,000
Morro Bay		\$486,000			
Napa	\$400,000	\$800,000		\$800,000	
Napa County					\$3,050,000
Nevada County		\$800,000		\$800,000	
Newman		\$700,000			
Orange Cove					\$2,000,000
Orland		\$1,600,000	\$500,000		
Oroville	\$1,000,000	\$1,200,000	\$1,000,000	\$2,800,000	\$800,000
Paradise			\$1,000,000		\$800,000
Parlier				\$800,000	
Petaluma			\$4,000,000		
Pico Rivera		\$600,000	\$800,000		
Placer County	\$400,000		\$800,000		
Plymouth			\$500,000		
Porterville		\$1,200,000	\$1,000,000	\$800,000	
Red Bluff	\$974,359		\$500,000		
Redding		\$200,000		\$120,000	
Riverbank	\$936,850		\$800,000		
Riverside County				\$4,000,000	
Roseville	\$600,000		\$800,000		\$3,491,905
San Benito County					\$4,000,000
San Juan Capistrano		\$800,000		\$400,000	\$800,000
Santa Clarita		\$600,000			
Santa Cruz		\$200,000			

**California Department of Housing and Community Development
HOME Program Funding, 2003-2007**

Jurisdiction	Funding by Year				
	2003	2004	2005	2006	2007
Santa Cruz County			\$5,000,000		
Shasta County	\$600,000		\$800,000		\$1,680,000
Shasta Lake			\$800,000	\$400,000	\$800,000
Simi Valley	\$600,000				
Siskiyou County				\$410,000	
Solano County	\$2,790,000			\$800,000	
Soledad		\$800,000	\$3,180,000	\$1,700,000	
South Lake Tahoe	\$1,930,297	\$3,500,000	\$4,000,000		
Sutter County				\$800,000	
Sutter Creek			\$500,000		
Taft		\$1,000,000			
Thousand Oaks	\$250,000		\$500,000		
Trinity County		\$600,000	\$706,000	\$400,000	\$800,000
Truckee		\$3,862,500		\$4,000,000	
Tulare	\$400,000				
Tulare County	\$4,510,000	\$3,026,154	\$2,315,000		
Tuolumne County	\$1,080,000	\$700,000		\$800,000	\$800,000
Upland	\$800,000	\$1,000,000			
Vacaville	\$600,000	\$1,000,000			
Ventura County		\$3,500,000	\$560,000		
Wasco			\$1,000,000		\$800,000
Waterford		\$3,500,000			
Watsonville	\$600,000	\$800,000			
West Sacramento	\$400,000	\$600,000	\$800,000	\$2,200,000	\$800,000
Westmorland			\$300,000		
Winters			\$2,900,280		
Woodlake		\$500,000	\$3,229,542		\$800,000
Woodland	\$600,000	\$800,000	\$4,000,000	\$4,000,000	\$800,000
Yolo County		\$2,166,139			\$700,000
Yuba City		\$800,000			\$800,000
Yuba County		\$800,000	\$1,500,000	\$4,000,000	\$1,500,000
TOTAL	\$48,696,917	\$104,001,123	\$84,675,589	\$67,805,947	\$70,744,725

RESOLUTION NO. 2008-_____

A RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING THE CITY MANAGER TO NOTIFY THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) AND SAN JOAQUIN COUNTY (SJC) OF OUR INTENT TO DISCONTINUE PARTICIPATION IN THE URBAN COUNTY FOR THE 2009-2011 PERIOD, AND OUR INTENT TO RECEIVE COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS DIRECTLY FROM HUD AS A METROPOLITAN CITY

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WHEREAS, the City of Lodi has operated under a cooperative agreement with San Joaquin County's Urban County designation, which allows Lodi to receive housing and community development funds from HUD through San Joaquin County; and

WHEREAS, the City of Lodi does meet the population requirement as a metropolitan city to qualify to receive CDBG funds directly from HUD; and

WHEREAS, the City may not void its agreement with SJC during the agreement term, which expires on September 30, 2008,

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Lodi does hereby authorize the City Manager to notify HUD and SJC of our intent to discontinue participation in the Urban County for the 2009-2011 period, and our intent to receive CDBG funds directly from HUD as a metropolitan city.

Dated: June 18, 2008

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I hereby certify that Resolution No. 2008-_____ was passed and adopted by the City Council of the City of Lodi in a regular meeting held May 7, 2008, by the following vote:

- AYES: COUNCIL MEMBERS –
- NOES: COUNCIL MEMBERS –
- ABSENT: COUNCIL MEMBERS –
- ABSTAIN: COUNCIL MEMBERS –

RANDI JOHL
City Clerk