

**SANTA BARBARA COUNTY
BOARD AGENDA LETTER**



Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Agenda Number:

Prepared on: 05/5/06
Department: Housing and Community Dev.
Budget Unit: 055
Agenda Date: 05/23/06
Placement: Administrative
Estimate Time: None
Continued Item: No
If Yes, date from:

TO: Board of Supervisors

FROM: Edward Moses
Housing and Community Development Director

STAFF CONTACT: Patricia Gabel ext. 3522

SUBJECT: Community Development Block Grant Lompoc/County Cooperation Agreement

Recommendation(s):

Request that the Board of Supervisors Authorize the County Chief Executive Officer to execute the attached agreement and any other necessary certifications and authorizations required by the U.S. Department of Housing and Urban Development (HUD) in order to form a City/County Partnership with the City of Lompoc so that the County of Santa Barbara can obtain HUD designation as an entitlement Urban County for Community Development Block Grant (CDBG) funds.

Alignment with Board Strategic Plan:

The recommendation is primarily aligned with Goals No. 5 and No. 7. Maintain and Enhance the Quality of Life for all Residents, and Strengthen the Safety and Well-Being of Children and Their Families to Ensure a Strong Future for our Community.

Executive Summary and Discussion:

On April 19, 2005 the Board of Supervisors authorized the Housing and Community Development Department to initiate negotiations with the City of Lompoc in order to obtain Urban County Entitlement Status from the federal government. The purpose of seeking such status is to make the County eligible to receive Community Development Block Grant Funds on an entitlement basis. On May 2, 2006 the Lompoc City Council voted unanimously to enter into the attached Cooperation Agreement with the County. The terms of the Agreement are consistent with the terms authorized by the Board in April 2005 and summarized beginning on page 2.

This partnership with the City of Lompoc provides the County with the population numbers to qualify for Urban County status. This guarantees annual CDBG funding on a formula funded basis. Currently, Santa Barbara County must compete for CDBG funding through the State "Small Cities" program administered in California by the Department of Housing and Community Development (HCD).

Staff estimates that the attached Agreement will bring to the County, \$3,655,000.00 in CDBG while guaranteeing the City of Lompoc \$2,975,000.00 over the three year period of the agreement. These figures are based upon Fiscal Year 2004 CDBG allocations, adjusted for CDBG funding reductions in 2005 and

2006, and are subject to Congressional appropriations for each program year. If the County did not enter into such an agreement to become an entitlement jurisdiction, it would only be eligible on a competitive basis to receive \$2,610,000.00 for that same period by participating in the State's CDBG program. *CDBG Urban County entitlement status will also produce and a potential for an additional \$2,550,000 in Continuum of Care (Homeless) funds.*

Members of the County of Santa Barbara HOME Consortium that are not individually entitled to CDBG are also eligible to become part of the Urban County. The Cities of Carpinteria, Solvang and Buellton can receive a formula allocation of CDBG funds based upon the HUD funding their populations bring to the Urban County. Additionally, the Goleta City Council will consider foregoing their individual CDBG entitlement status to join the Urban County at their May 15th meeting. Any required documents resulting from these actions will return to the Board for review and approval.

Background:

For almost twenty (20) years, the population of Santa Barbara County has put it on the brink of designation as an Urban County under Title I of the National Housing and Community Development Act of 1974.

During this time frame, as the population has approached the 200,000 persons required to meeting the designation, several actions taken by the federal government have resulted in the failure of Santa Barbara County to reach the threshold population required under Title I of the Act.

One of the actions occurred in 1974 when Public Law 93-383 authorized the few small cities with HUD Center City Status to become entitlement jurisdiction without meeting the Act's threshold population requirement of 50,000. As a result of the action, the City of Lompoc was granted entitlement status. This occurred again in 2004 when the City of Goleta was also granted CDBG entitlement status. Thus, both cities population was deducted from the County's, resulting in the failure of the County to achieve the Urban County threshold population requirement. Under HUD's regulations, Section V – Cooperation Agreements of HUD Community Planning and Development Notice 02-05, the City can be included as a participating unit of general government under the County's Urban County CDBG program for a three (3) year period. The

\ agreement does not become effective until it is approved by HUD.

Summary of Cooperation Agreement:

In recognition of the City of Lompoc's desire to have additional incentives to partner with the County as well as assurances that guarantees a potential for funding from the County, the agreement includes the following funding guarantees for each of the three years of the CDBG Cooperation Agreement term:

Year 1 – The amount that the city would have received had it retained its Urban City designation plus the lesser of \$1million in CDBG project funds, or pro-rata share of (50.4%) of the County's overall CDBG allocation, whichever is less

Year 2 - The amount that the city would have received had it retained its Urban City designation plus the lesser of \$500,000 in CDBG project funds, or pro-rata share of (25.2%) of the County's overall CDBG allocation, whichever is less

Year 3 - The amount that the city would have received had it retained its Urban City designation plus the lesser of \$200,000 in CDBG project funds, or pro-rata share of (10.1%) of the County's overall CDBG allocation, whichever is less

In addition to the compensation noted above, the County will pay the City up to \$30,000 per fiscal year for the purpose of reimbursing the City for any additional costs that are incurred directly as a result of this

agreement. The City agrees that it will not receive additional administrative funds for the allocations that are in addition to the above amount plus the amount of administration funds that it would be entitled to receive had it retained its Urban City designation. Sponsors of eligible projects that are located within the jurisdiction of the City of Lompoc may apply to the County of Santa Barbara for additional CDBG funds from the remaining County allocation.

The City retains sole authority over the award and implementation of all CDBG funds allocated to the City under this agreement. The County Board of Supervisors is responsible for determining the final disposition and distribution of all remaining funds received by the County. The City agrees that the County of Santa Barbara has the sole authority to redistribute all CDBG funds when eligible projects that have been selected for funding are not implemented in a timely manner. However, if funds must be redistributed from a project within the jurisdiction of the City of Lompoc, the City of Lompoc has the authority to select the eligible project or projects to receive the redistributed funds.

The City agrees to semi-annually report income generated by the expenditure of CDBG funds to the County. This program income will be retained by the City and used only for eligible activities. The City retains the right to use twenty percent (20%) of program income earned in the program year for general administration, and fifteen percent (15%) of program income earned in the prior year for public service. Santa Barbara County accepts responsibility of administering the CDBG program including the preparation of plans to be submitted to HUD, issuance of notices, requests for project submittals, evaluation administration and project monitoring not paid for solely with City CDBG funds, tracking and receiving program income and reporting to HUD. The City retains responsibility for compliance with the National Environmental Policy Act (NEPA) and the California Environmental Quality Act (CEQA) and for all required noticing and documentation for projects funded within the City's jurisdictional boundaries.

Santa Barbara County will be responsible for reports required for CDBG regulations, including the Consolidated Plan, the Annual Action Plan, the Comprehensive Annual Performance Report (CAPER), and Cash and Management Information System Reports. The City agrees to cooperate in the preparation of reports required by CDBG regulations.

Mandates and Service Levels:

Participation in the CDBG program is not mandated; however, acceptance of funds to carry out affordable housing activities requires the County to comply with the federal laws and regulations related to those funds.

Fiscal and Facilities Impacts:

Submission to and approval by HUD is required for receipt of the federal CDBG funds. 20% of the CDBG funds awarded are available for administration. Under this agreement, a portion of the administration award will be given to the City of Lompoc for their administration expenses. There are provisions in the agreement that could cause the county to be liable to the city. That potential liability is minimized through the HUD drawdown and reimbursement processing established in the Urban County fiscal administration program. Any other general fund or loss of CDBG entitlement status liability under the agreement is carefully addressed and minimized either in the wording of the agreement or in the design of the implementing and monitoring programs. *It is important to note that the systems that will be put in place to process payments and to protect the County are the same systems currently utilized in the County's administration of the HOME Consortium. These same systems have been in place for ten years and have never failed or caused County liability.*

Concurrences:

County Executive Office

County Counsel

Special Instructions:

Execute three original Cooperation Agreements and dial extension 3529 for pick – up. *Agreements must be hand delivered to HUD Wednesday morning May 24, 2005.*