



BOARD OF SUPERVISORS  
AGENDA LETTER

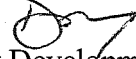
Agenda Number:

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

**Department Name:** Housing & Community Development  
**Department No.:** 055  
**For Agenda Of:** 11/9/2010  
**Placement:** Departmental  
**Estimated Time:** 90 minutes  
**Continued Item:** No  
**If Yes, date from:**  
**Vote Required:** Majority

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**TO:** Board of Supervisors

**FROM:** Department David Matson, 568-2068   
Director(s) Housing and Community Development Director  
Contact Info: Brooke Welch, 568-3521  
Sr. Housing Program Specialist

**SUBJECT:** 2011 Notice of Funding Availability (NOFA) Workshop for Community Development Block Grant, HOME Investment Partnerships Program, and Emergency Shelter Grant Funding

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**County Counsel Concurrence**

As to form: Yes

**Auditor-Controller Concurrence**

As to form: N/A

**Recommended Actions:**

That the Board of Supervisors:

- a.) Receive and file a staff report regarding the 2011 Draft Notice of Funding Availability (NOFA) and proposed funding process for federal funding received through the Community Development Block Grant (CDBG), HOME Investment Partnerships (HOME), and Emergency Shelter Grant (ESG) programs.
- b.) Direct staff to proceed with the NOFA process and return to the Board in April 2011 to provide an update and present the 2011 Action Plan, including projects recommended for funding.

**Summary**

In May 2010, the Department of Housing and Community Development (HCD) provided a report to the Board of Supervisors on the 2010 Action Plan, including the funding process through which federal grant funds were awarded to applicants for local affordable housing and community development projects and programs. Staff was directed to return to the Board prior to commencement of the 2011 funding process to conduct a "NOFA Workshop" to allow the Board and the public to provide input and direction on the funding process.

**Background:**

The County of Santa Barbara serves as the lead administrative agency for two federal funding partnerships:

- The ***CDBG Santa Barbara Urban County Partnership*** (Urban County), the members of which include the cities of Buellton, Carpinteria, Lompoc, Solvang, along with the County; and,
- The ***Santa Barbara County HOME Consortium*** (HOME Consortium), which includes the five members of the Urban County as well as the cities of Goleta and Santa Maria.

To facilitate these two partnerships, the County assumes responsibility for funding management, administration, and regulatory compliance associated with three programs under the U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG), HOME Investment Partnerships (HOME), and Emergency Shelter Grant (ESG) programs. Accordingly, HCD, on the County's behalf, administers the funding allocation process for the Urban County and HOME Consortium partnerships.

Since 1995, Santa Barbara County, through the HOME Consortium, has received and administered HOME funds provided by HUD for itself and the other six member jurisdictions. In 2007, as a result of a unique agreement and collaboration between the County and the cities of Buellton, Carpinteria, Solvang, and especially the City of Lompoc, the present Urban County was created and began receiving CDBG entitlement funds directly from HUD. In its capacity as the lead agency, the County through HCD has since taken on significant additional program management and fiscal oversight responsibility. Simultaneously, HCD has worked to build new capacity vital to supporting this expanded mission. Over the last year, HCD has embraced a "do more with less" philosophy, focusing on streamlining processes using technology as well as standardizing contracting, monitoring, and evaluation processes all while increasing accounting and regulatory compliance standards. Nonetheless, as discussed at a Board hearing in May, administrative resource limitations, coupled with increasingly strict HUD regulations, highlight the need to reevaluate the process for allocating funds to projects to ensure a high degree of transparency, efficiency and fairness.

In May, the Board directed staff to engage in broader civic engagement to maximize community input into the federal entitlement funding process. The seven specific Board requests included:

- Opening the application period one month earlier;
- Bringing the draft Action Plan to the Board of Supervisors earlier;
- Providing expanded definitions of the funding criteria (for example, "readiness");
- Re-evaluating the use and objectivity of a point system to rank applications;
- Reviewing other jurisdictions' NOFA processes to ascertain best practices;
- Re-evaluating how CDBG Capital Project funds are allocated and projects are chosen; and
- Designing a reallocation mechanism to fund alternative projects when previously funded projects do not move forward timely and put funds at risk of federal de-obligation.

Since May, HCD has conducted research and engaged community input in order to develop informed recommendations for Board consideration. Research included a survey of "best practices" among benchmark counties and an evaluation of past funding processes. HCD also hosted two public workshops during which interested organizations, community stakeholders, and members of the public

discussed emerging needs in the community as well as provided valuable feedback on the County funding process.

### **Summary of Public Workshops**

Public workshops held on October 28 and October 29, 2010 provided an opportunity for HCD to work with the community to ensure the proposed 2011 funding process meets the needs and expectations of prospective applicants. Staff presented an overview of the programs, information related to the funding process, and an estimate of the amount of competitive funding available this year. Following the presentation, staff facilitated a productive conversation among workshop attendees to obtain consensus regarding the proposed funding process and to ensure that the 2011 NOFA accurately identified emerging community needs. A summary of the specific comments received at the workshops is provided in Attachment C.

### **2011 Funding Process Considerations**

For 2011, the NOFA process (Attachment A) has been revised. Those revisions are summarized in Attachment B, and reflect all comments and suggestions made to date by the community, the Board of Supervisors, and the local Steering Committees, comprised of representatives from the seven partnership jurisdictions of the HOME Consortium and Urban County. In revising the NOFA, County HCD also considered and incorporated best practices among benchmark counties, including Marin, San Luis Obispo, Sonoma and Ventura Counties. Discussions with these four counties also revealed the absence of a single approach to three special topics of interest noted by the Board last May:

- **Rethinking the Structure of Existing Funding Committees**

Only one of the four counties surveyed (Sonoma County) utilizes a Board appointed review committee to review applications and make funding recommendations. The remaining three counties simply rely on staff review of each application, employing the expertise of departmental program specialists to determine which projects most closely align with HUD and local priorities, and federal requirements. HCD has historically utilized public review committees for HOME projects (Affordable Housing Loan Committee) and CDBG Public Services and ESG programs (Public Services Committee). 2010 was the first year, however, that the review and recommendation for funding of CDBG Capital Projects was conducted by a committee chosen by HCD staff. At the May public hearing, the Board requested further consideration and evaluation to improve the CDBG Capital Project review process.

Independent from the survey of counties, HCD continues to recommend the use of experts in the community to review projects and make funding recommendations to the Board. The expertise of local citizens provided through this important civic engagement process adds to the quality, scope and transparency of the public dialogue regarding federal entitlement funding. Strong emphasis should also be placed on identifying and acting upon opportunities to augment committee expertise as well as improve the coordination between existing committees. Doing so provides an opportunity to enhance the transparency and efficacy of providing funding to support local community-based organizations.

Accordingly, HCD recommends the re-formulation of the current Affordable Housing Loan Committee to become a new Capital Loan Committee. This committee would be expanded to include members with specific capital project management and construction experience, creating an opportunity to increase the capacity of the current committee while also allowing it to serve as

a formal advisory body for CDBG capital projects. Similarly, HCD recommends the transformation of the existing Public Services Committee into an expanded Board appointed committee comprised of additional citizens with expertise and familiarity with the needs and service capacity of area non-profit organizations. If the Board is interested in pursuing the expansion of the existing committees, HCD proposes to bring back an item in late winter to facilitate the re-composition of these committees.

- **The Use of an Ordinal Scoring System**

One of the four best-practice counties (Ventura County) utilizes an ordinal scoring system to rank project proposals and determine funding recommendations. This is similar to the system Santa Barbara County used last year. Many of the counties contacted indicated that the rating and ranking of project proposals is inherently subjective, and that it's difficult to rank projects that are not comparable in size, scope, cost, and program area. The community-based organizations that attended HCD's workshops are also split on the value of using an ordinal scoring system based on the recognition that all ratings and ranking are subject to some inevitable subjectivity.

- **County-Sponsored Capital Projects**

None of the counties contacted place limits on the amount of funding available for county-sponsored versus community-sponsored projects. In fact, recognizing that county-sponsored capital projects directly benefit local communities, Sonoma County reserves a minimum of 15% of its annual CDBG allocation specifically for County capital improvements. Each year, prior to the commencement of the funding process (early November), the Sonoma County Board of Supervisors authorizes submittal of specific capital project funding requests by County departments, agencies and commissions, for consideration during the funding process. County-sponsored projects undergo the same level of review as all other project applicants and receive no special consideration. In the case of other counties, community-sponsored projects compete alongside county capital projects under the same funding process. No preference has been expressed by community groups regarding county-sponsored projects receiving CDBG funds.

### **Timeline for the 2011 NOFA**

HCD intends to proceed with publication of the NOFA on November 15, 2010, based on Board direction and public comment received at the November 9, 2010 hearing. A general overview of the timeline is noted below and provided separately in Attachment D:

- Applicant Workshops will be held in North and South County on December 8 and 9 to provide program information and technical assistance to interested applicants.
- All CDBG, HOME and ESG applications are due on January 21, 2011, providing applicants with approximately two months to prepare applications.
- Following threshold review for program eligibility, applications will be forwarded to the member jurisdictions from which funds are requested and/or the relevant public review committee.
- Review committee public meetings will be held in early March, and all funding recommendations will be included in the draft Action Plan.
- The draft Action Plan will undergo a 30-day public review process during which three public hearings are proposed to be held.
- The draft Action Plan will be presented to the Board of Supervisors in mid-April, allowing time for any recommended changes by the Board to the Action Plan or projects included therein.

- The adopted 2011 Action Plan must be submitted to HUD no later than May 16, 2011.

**Performance Measure:**

Safe and Healthy Families: Housing for all Segments of the Population; 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.

**Fiscal and Facilities Impacts:**

Budgeted: NA

**Fiscal Analysis:**

Funds are “pass-through” to organizations providing affordable housing and housing-related activities (HOME), community development projects and programs (CDBG), and homeless services and shelters (ESG). Per HUD guidelines, County HCD retains 10% of HOME funds for grant administration, 5% for HOME project implementation expenses, 20% of CDBG funds for administration and 2.5 % of ESG funds for administration.

**Attachments:**

- A. Draft 2011 Notice of Funding Availability (NOFA)
- B. Summary of Proposed Revisions to the Notice of Funding Availability
- C. Public Workshops Summary
- D. 2011 NOFA Cycle Timeline

**Authored by:** Brooke Welch, Sr. Housing Program Specialist