



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
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Department Name: Housing & Community
Development
Department No.: 055
For Agenda Of: 3/01/2011
Placement: Departmental
Estimated Tme: 30 minutes
Continued Item: No
If Yes, date from:
Vote Required: Majority

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: **HCD NOFA Status Report and Selection Criteria Briefing Regarding 2011 Federal CDBG, HOME Investment Partnerships, and Emergency Shelter Grant Funding**

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 providing a status update on the Department of Housing and Community Development 2011 Notice of Funding Availability (NOFA) 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 November 2010, the Department of Housing and Community Development (HCD) provided a report to the Board of Supervisors on the 2011 proposed funding process under the annual Notice of Funding Availability (NOFA), through which federal grant funds are awarded to applicants for local affordable housing and community development projects and programs. Although the Board approved the 2011 NOFA application process, selection criteria, and timeline, HCD was directed to return to the Board prior to convening the NOFA application review committees to consider policy options related to the:

- Structure of the NOFA review committees;
- Application review and ranking protocol; and
- Distribution of CDBG Capital Project Funding.

Background:

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

- The *CDBG Santa Barbara Urban County Partnership* (Urban County), the members of which include the cities of Buellton, Carpinteria, Lompoc, and 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 the fiscal 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.

The Board approved the 2011 NOFA and related application and funding process on November 9, 2010. The 2011 NOFA incorporated best practices among several benchmark counties (Marin, San Luis Obispo, Sonoma and Ventura Counties), as well as input from the public and Board of Supervisors.

During the open application window (November 15, 2010 – January 21, 2011) HCD hosted two in-depth public workshops to provide opportunity for applicants to ask questions about the NOFA criteria and grant-making process. In total, 64 applications for funds were submitted; with funding requests totaling \$7,715,421.¹ Forty five (45) applications were received for County funding, totaling \$7,109,460. Review committee work will begin in March and continue through April, during which the Action Plan will be drafted and circulated for public review. The draft Action Plan will then be presented to the Board in late April, providing sufficient time to adopt the Action Plan ahead of the May 16 submission deadline to HUD.

2011 NOFA Policy Options

To proceed with application review and recommendations, three outstanding policy options remain for consideration by the Board of Supervisors.

1. Structure of Review Committees

In the best practices research, only one of the four counties surveyed (Sonoma County) utilizes a Board appointed review committee to review applications and make funding recommendations. The remaining counties surveyed rely on staff review of each application, employing the expertise of federal program specialists to determine which projects most closely align with local priorities, congressional objectives and federal regulations. Historically, HCD has used 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

¹ County HCD publishes the NOFA and accepts applications on behalf of the cities of Buellton, Carpinteria, Goleta and Solvang, as well as the County. This amount reflects the total requests for County *and* city funds.

conducted by a committee of regional CDBG experts chosen by HCD staff. The Board has indicated a desire to reconsider the CDBG Capital Project review process.

Staff Recommendation:

HCD continues to recommend the use of two committees composed of community experts to review projects and make annual funding recommendations to the Board. This recommendation streamlines the process, by combining two committees (HOME and CDBG-Capital) into one (Capital Loan Committee) and refocusing the CDBG Public Services Committee to administratively align with the Human Services Committee. Overall, the knowledge 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. In making this recommendation, strong emphasis was placed on identifying and acting upon opportunities to reduce costs while simultaneously augmenting committee expertise and improving coordination of the federal entitlement funding process. Using this committee-based format also provides an opportunity to enhance the efficacy of providing funding to local community-based organizations.

Capital Loan Committee. HCD recommends that the current Affordable Housing Loan Committee be renamed the Capital Loan Committee and that the committee's review function be expanded to include both HOME and CDBG-capital proposals. This eliminates the need for a separate CDBG-Capital committee. The current composition of the Affordable Housing Loan committee is detailed in Attachment A, and would not change under the new proposal as the committee already includes members with specific project management and construction experience. Therefore, expanding the committee function provides opportunity to realize operational efficiency and permanently reduce administrative costs. Outside of the NOFA process, the Capital Loan Committee would function throughout the year as an advisory group to HCD regarding ongoing monitoring and review of projects funded through the HOME and CDBG-Capital programs.

There are currently three vacant seats on the committee (noted in Attachment A). New committee members would be appointed by the HCD Director, consistent with current Board-approved policy guidelines.

Public Services Committee. HCD recommends using a sub-committee of the existing Human Services Commission, a Board appointed body currently staffed by the County Public Health Department. Committee members have expertise and familiarity with the needs and service capacity of area non-profit organizations, many of whom apply to both HCD and Public Health for annual community services funding. The HCD Director would work with the Public Health Director, in consultation with the Board of Supervisors to select appropriate Human Services Commission representatives from each district to serve on the Public Services Committee.

2. Application Ranking and Ranking Protocol

Research into the practices of our benchmark counties revealed that only Ventura County uses an ordinal scoring system to rank project proposals and determine funding recommendations. This is similar to the system Santa Barbara County put in practice last year. Most counties contacted indicated that the rating and ranking of project proposals is inherently subjective, and that it is difficult to rank projects that are not comparable in size, scope, cost, and program area.

Organizations attending HCD's workshops were also split on the value of using an ordinal scoring system.

To ensure applicants know how they will be evaluated, staff developed criteria in advance of the 2011 NOFA, consistent with HUD Regulations. Specific attention was placed on federal requirements associated with the receipt and timely expenditure of federal funding. These criteria were then approved by the Board on November, 9 2010. Attachment B summarizes the NOFA criteria.

Staff Recommendation:

Technical Review: Due to the scope and scale of HOME and CDBG Capital Project proposals, each application currently undergoes technical review by a team of program experts prior to the forwarding of applications to the Loan Committee. Staff recommends continuing this practice, but broadening the team to foster stronger coordination among the Urban County and Home Consortium. The new team will consist of six members:

- two member cities in the HOME Consortium,
- one representative from the City of Santa Barbara, and
- three County staff.

During technical review, applications are screened for consistency with funding criteria established in the NOFA, as well as program eligibility and alignment with local needs and HUD priorities. For example, each CDBG project must meet both a HUD-established "National Objective" as well as a local priority identified in the HUD-approved Five Year Strategic Consolidated Plan.

Ranking System: The use of a ranking system has the potential to objectify the rating of projects as well as provide a means to weight certain criterion. Each criterion provides a general basis for ranking of projects against one another within each category, so that the combined merits of a project are scored with respect to the overall pool of applications in the respective program area. All criterion will be weighted equally except for project readiness.² Staff proposes to double the weight of project readiness to emphasize the growing threat from HUD and Congress that funds not expended in a timely fashion risk rescission. The Capital Loan Committee will be responsible for interviewing applicants, ranking applications, and recommending how to allocate funds among projects. Committee members will deliberate publicly and select projects for funding recommendation.

3. Distribution of CDBG Capital Project Funding

The survey of best-practices revealed that only one county had a formula in place to delineate the amount of funding available for county-sponsored versus community-sponsored projects. Sonoma County sets aside a minimum of 15% of CDBG funding annually 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

² Project Readiness means how quickly the project can commence work and expend the funding award in order to avoid potential de-obligation of funds by HUD for non-expenditure.

process. County-sponsored projects undergo the same level of review as all other project applicants and receive no special consideration, with the exception of the 15% set-aside. In the case of other counties, community-sponsored projects compete alongside county capital projects under the same funding process, recognizing that county sponsored capital projects directly benefit local communities. No preference has been expressed by community groups regarding county-sponsored projects receiving CDBG funds.

Staff Recommendation:

Consistent with best practices among benchmark counties, staff recommends allowing county-sponsored projects to compete with community-sponsored projects in the application process, without limiting the amount of funds to any particular type of project. This will allow qualifying County capital improvement projects, which are otherwise unfunded, to compete for CDBG funds expressly intended for this purpose. A summarized history of CDBG funding distribution among county versus non-county projects is provided as Attachment C.

Fiscal and Facilities Impacts:

Budgeted: Yes

<u>Funding Sources</u>	<u>Current FY Cost:</u>	<u>Annualized On-going Cost:</u>	<u>Total One-Time Project Cost</u>
General Fund			
State			
Federal	\$ 26,500.00		
Fees			
Other:			
Total	\$ 26,500.00	\$ -	\$ -

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. The cost of administering the NOFA process is highlighted above.

Attachments:

- A. Affordable Housing Loan Committee Summary
- B. Review and Selection Criteria
- C. History of CDBG Funding Distribution

Authored by: Brooke Welch, Sr. Housing Program Specialist