

**CITY OF OAKLAND
COUNCIL AGENDA REPORT**

OFFICE OF THE CITY CLERK
2006 APR 11 PM 1:15

TO: Office of the City Administrator
ATTN: Deborah Edgerly
FROM: Community and Economic Development Agency
DATE: April 25, 2006

RE: **A REPORT AND A RESOLUTION 1) AUTHORIZING THE CITY ADMINISTRATOR TO PREPARE AND SUBMIT THE CONSOLIDATED PLAN ANNUAL ACTION PLAN FOR HOUSING AND COMMUNITY DEVELOPMENT FOR FISCAL YEAR 2006-07 TO THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, 2) ACCEPTING AND APPROPRIATING FUNDS TOTTALLING \$15,365,549 FOR THE COMMUNITY DEVELOPMENT BLOCK GRANT, HOME INVESTMENT PARTNERSHIP, EMERGENCY SHELTER GRANT AND HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS PROGRAMS, AND 3) ALLOCATING \$1,839,260 OF ADDITIONAL PROGRAM INCOME COLLECTED IN FY 2004-05 TO MAKE PAYMENTS OF THE FY 2006-07 REGULAR SECTION 108 LOAN AND THE SECTION 108 LOAN USED FOR THE MARTIN LUTHER KING, JR. PLAZA PROJECT.**

SUMMARY

At its May 3, 2005 meeting, City Council approved a resolution for the Consolidated Plan for Housing and Community Development Annual Action Plan for fiscal year 2005-06 and approved programs recommended for CDBG funding for a period of two (2) years FY 2005-07.

This report discusses the Action Plan for fiscal year 2006-07. The full draft Action Plan has been published and distributed as a separate document that is available in hard copy from CEDA, the City Clerk and at the Public Library, and also is on the City's web site at www.oaklandnet.com/government/hcd. The resolution authorizes the City Administrator to reappropriate \$3,000,000 anticipated program income for FY 2006-07, to submit the plan to the U.S. Department of Housing and Urban Development (HUD), and to accept and appropriate a total of \$15,365,549 in federal grant funds and for the following four formula grant programs:

Community Development Block Grant (CDBG)
HOME Investment Partnership (HOME)/American Dream Downpayment Initiative
Housing Opportunities for Persons with AIDS (HOPWA), and
Emergency Shelter Grant (ESG).

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The resolution also authorizes allocation of up to \$1.8 million additional CDBG Program Income collected in FY 2004-05 to make payments of the FY 2006-07 Regular Section 108 Loan and the Section 108 Loan used for the Martin Luther King, Jr. Plaza Project.

FISCAL IMPACT

The resolution accepts and appropriates funds for the FY 2006-07 budget from the four federal grants and from program income (loan repayments) to be earned during the fiscal year. Specific projects have been recommended for funding from the four grants and are included in the Action Plan. There is no impact on other City funds.

Reduction in Federal Grants for FY 2006-07

The allocations that were included in the FY 2005-07 Policy Budget adopted in June 2005 contained estimated grant amounts for FY 2006-07. Since then, actual federal grant amounts have been announced by HUD. The CDBG grant has been reduced by 10%, a decrease of \$910,889. This has created a shortfall between amounts budgeted for expenditures in FY 2006-07 and budgeted revenue. Staff proposes to cover this shortfall by increasing the projected program income (loan repayments) from \$1.8 million to \$3.0 million, which is consistent with actual collections for the past several years. (The net increase of \$289,111 will be set aside in reserve for future payments on the HUD Section 108 loan discussed below.) There have also been slight reductions in the HOME and HOPWA allocations, which will be offset with reductions in appropriations for overhead and maintenance costs. The mid-cycle budget adjustments for FY 2006-07 will reflect the corrected amounts.

Grant Program	Anticipated Program Income	Grant Amount to Accept	Amount to Allocate with adoption of FY2006-07 Mid-cycle Budget
CDBG	\$3,000,000	\$8,601,041	
Housing			5,054,535
Economic Development			2,737,983
Public Services and Infrastructure/Neighborhood Improvements			2,092,625
Administration			1,715,898
HOME		4,426,627	4,426,627
American Dream Downpayment Initiative (ADDI)		67,495	67,495
HOPWA		1,905,000	1,905,000
ESG		365,386	365,386
TOTAL	\$3,000,000	\$15,365,549	\$18,365,549

It is anticipated that there will be further reductions for FY 2007-08. Staff will come before Council in late September to have a discussion on funding allocations and strategies to address the reductions. At that time, the budget for HUD should be finalized and staff will know what the reductions to the HUD grants will be for FY 07-08.

Appropriation of Unanticipated FY 2004-05 Program Income

In FY 2004-05 program income from repayments of Rehab loans was budgeted at \$1.8 million and the actual collection was \$3,639,360. Staff proposes to appropriate the excess of \$1,839,260 to cover payments required to repay a HUD Section 108 Loan used for the Martin Luther King, Jr. Plaza Project of \$612,000, for which no other funds are available. Also, \$600,000 of the excess funds will also be used to make payments on HUD Section 108 loans used for economic development activities. The remaining \$627,260 will be used to establish a reserve fund for future payments since no funds have been budgeted for the payments. If the City does not allocate funds to make these payments, the City's CDBG grant will automatically be reduced by the required payment amount.

BACKGROUND

The United States Department of Housing and Urban Development (HUD) allocates federal funds to eligible localities for housing and community development activities. These funds are from HUD's Community Planning and Development (CPD) formula grant programs – CDBG, HOME, ESG and HOPWA. Federal regulations require jurisdictions participating in these programs to prepare a five-year Consolidated Plan to assess affordable housing and community development needs. The City submitted its third five-year Consolidated Plan on June 30, 2005. This Consolidated Annual Action Plan describes the actions that will be undertaken in FY 2006-07, to address the housing and community development priorities that were identified in the Five-Year Strategy for July 1, 2005 – June 30, 2010.

CDBG Process

The funding recommendations for the FY 2006-07 CDBG grant were made during the FY 2005-06 process, which was a result of input from the Community Development (CD) District Boards, and the City Administrator. City Council members participated in the deliberations in a variety of ways and there was participation of residents.

HUD-Required Citizen Participation Process for Consolidated Plan

HUD regulations require that at least two public hearings be held during each Consolidated Plan program year cycle. The public hearings must include an assessment of housing and community development needs, a review of past program performance, and review and comment of the proposed Action Plan. At least one of these hearings must be held before the proposed plan is published for comment.

- A public hearing was held at the City Council meeting on September 13, 2005 to review and consider FY 2004-05 performance, to assess community needs, and to discuss allocation of funds among program areas and recommend priorities for program funding.
- A Public Hearing will be held Tuesday, May 2, 2006 in the City Council Chambers. A notice was published in the Oakland Tribune, Post and El Mundo newspapers April 2 and 4, 2006 announcing the availability of the draft Plan and the date, time and purpose of the Public Hearing.

Martin Luther King, Jr. Plaza Project

On January 18, 1995, HUD granted to the City of Oakland a Section 108 loan in the amount of \$10,945,000 for the rehabilitation of the Martin Luther King, Jr., Plaza. The loan was received in two installments. The first installment was a permanent loan in the amount of \$5,800,000. The second installment was interim financing in the amount of \$5,145,000. Under the Section 108 program guidelines, the primary security for repayment of a Section 108 loan is the City's CDBG with the secondary security of real property. The City provided secondary security for repayment of the HUD loan in the form of a first deed of trust on the Martin Luther King, Jr. Plaza located at 5714 Martin Luther King, Jr. Way.

On July 28, 1998, the City Council, pursuant to Ordinance 12074 C.M.S. authorized the sale of Martin Luther King, Jr. Plaza to Children's Hospital Oakland for \$9,000,000. The sales price was not sufficient to repay the entire Section 108 loan of \$10,945,000. However, sales proceeds were used to retire the interim financing of \$5,145,000, and all remaining funds were deposited in a debt service and defeasance escrow to repay a portion of the permanent loan of \$5,800,000. The funds in the debt service have been exhausted after the last payment made on February 1, 2006.

The unpaid balance on the Section 108 loan is \$4,210,000, with annual debt service payments of approximately \$600,000 scheduled through FY 2015-2016. The 108 loan is guaranteed by the City CDBG entitlement grant. If the City does not make the scheduled payments, HUD will deduct any future repayment amounts from the City's CDBG grant.

Regular Section 108 Loan

The City of Oakland has underwritten several housing and commercial loans using U. S. Department of HUD Regular Section 108 funds which are collateralized by either the borrower's assets and/or the City's annual CDBG allocation. City staff first seeks to work with borrowers for the timely repayment of debt, and secondarily, City staff seeks to recover the City's assets through the liquidation of borrower collateral. When situations arise that prevent repayment by the borrower or liquidation of the borrower's collateral, then the City's remaining option for repayment to HUD is its CDBG funds.

The City's inability to collect delinquent and defaulted loans has created a shortfall in funds available for the City's scheduled HUD repayment. CEDA staff recommends the use of CDBG

Program Income as the funding source for the HUD Section 108 loan fund repayment deficit.

KEY ISSUES AND IMPACTS

Consolidated Plan Priorities and Strategies

The City's Five-Year Consolidated Plan for Housing and Community Development, adopted in June 2005, includes an extensive community profile that describes the City's needs for community and economic development, affordable housing, and housing and services for the homeless. The Plan also includes a set of priorities and strategies for addressing those needs. As adopted by the City Council, the City's priorities are as follows:

Housing

- Preservation and Expansion of the Supply of Affordable Housing
- Assistance to First Time Homebuyers
- Encouragement of Housing Rehabilitation and Neighborhood Improvement
- Provision of Rental Assistance for Extremely Low Income Families
- Prevention and Reduction of Homelessness
- Expansion of Housing Opportunities for Seniors and Persons with Special Needs.

Homelessness

- Provide outreach and information/referrals to both sheltered and unsheltered homeless persons, enabling them to access the full range of services of the Continuum of Care.
- Maintain and expand, where possible, the existing inventory of emergency shelter beds and hotel/motel vouchers, and implement a winter shelter program.
- Maintain and expand, where possible, the current number of transitional housing units.
- Maintain and expand, where possible, the current inventory of permanent supported housing.
- Expand programs aimed at Homeless Prevention.
- Provide housing and supportive services to persons with HIV/AIDS who are homeless or at risk of becoming homeless

Non-Housing Community Development

Economic Development

The City's economic development programs are designed to address community needs that include (1) job opportunities for Oakland's unemployed,

underemployed and economically disadvantaged residents, (2) private investment to strengthen the tax base and stimulate commercial activity, and (3) blight and chronic vacancies in the City's twenty-five neighborhoods.

Specific goals include:

- Attract, retain, and expand job opportunities
- Stimulate private investment to foster Oakland's business growth
- Revitalize neighborhood commercial areas
- Link economic development job opportunities with local job training and placement resources for Oakland's low and moderate income residents
- Redevelop Oakland's vacant and underutilized industrial and commercial areas
- Create sustainable development projects.

Public Services and Infrastructure (Neighborhood Improvements)

- Social Services for Seniors, Youth and Childcare
- Hunger Relief
- Domestic Violence
- Employment, Education and Job Training
- Legal Services
- Substance Abuse Intervention and Treatment
- Infrastructure/Neighborhood Improvements
- Other Social Services

PROGRAM DESCRIPTION

Description and Summary of Proposed Annual Action Plan

Staff has prepared a draft Annual Action Plan, now under consideration, which addresses the use of Federal grant funds for the second year of the City's third five-year Consolidated Plan. This document contains specific actions and projects for FY 2006-07 designed to:

- Increase and maintain the supply of affordable supportive housing for low-income and special needs populations, including the homeless.
- Create a suitable living environment through neighborhood revitalization and improvements in public facilities and services.
- Expand economic opportunities for lower income households.

The Annual Action Plan describes actions to be undertaken to address the housing and community development priorities identified in the five-year Strategy. These include housing activities to address the provision of affordable housing to low income families, rehabilitation of

the existing housing stock, emergency shelter and transitional housing needs of homeless persons and activities that will be undertaken to prevent homelessness. Non-housing community development includes economic development and public services/infrastructure (neighborhood improvements).

The City will receive the following Federal grant awards for FY 2006-07:

Community Development Block Grant	\$8,601,041
HOME	4,426,627
American Dream Downpayment Initiative	67,495
Emergency Shelter Grant	365,386
<u>HOPWA</u>	<u>1,905,000</u>
TOTAL	\$15,365,549

An additional \$3,000,000 in program income will be received from housing loan repayments and loan fees, for a total of \$18,365,549 available for allocation.

In accordance with the allocations established by the City Council and consistent with the priorities in the Consolidated Plan and the requirements of the Federal grant programs, these funds will be used to address the following priority needs:

- \$9,481,162 from CDBG and HOME to fund housing activities (includes approximately \$442,663 for HOME program administration, coordination and monitoring).
- \$2,270,386 from HOWPA (\$1,905,000) and ESG (\$365,386) to serve the homeless and persons at risk of homelessness, including persons with HIV/AIDS (includes approximately \$38,609 for administration and monitoring for the HOPWA and EST programs).
- \$2,737,983 from CDBG for economic development activities.
- \$2,092,625 from CDBG for Public Services and Neighborhood Improvements.
- \$1,715,898 from CDBG for program administration, accounting and audit functions, planning, monitoring and evaluation, and citizen participation.

In addition to the funding listed above, the Resources section of the Action Plan describes other Federal and non-Federal resources (State and local funding as well as private resources), that are reasonably expected to be made available or leveraged during the program year. The Action Plan includes both a general description of strategies and planned actions, and detailed information on each activity proposed for funding

Process for Public Review and Comment

Copies of the draft Plan were available beginning Tuesday, April 4, 2006 for a 30-day comment period and have been placed on file at the main branch of the Oakland Public Library and are available from both the Community & Economic Development Agency and the Office of the City Clerk. Notices have been distributed to a variety of nonprofit housing organizations, homeless service providers, public agencies and commissions, and other interested parties.

Written public comments will be accepted by the Community & Economic Development Agency through Friday, May 5, 2006. Staff will then revise the documents consistent with such comments and City Council direction, and will include a summary of all written comments received and a discussion of how such comments were included, or an explanation as to why such comments were not included in the final documents.

SUSTAINABLE OPPORTUNITIES

Economic: Several grants will fund and support organizations that provide economic development, public facilities, infrastructure and social services for low and moderate income communities.

Environment: The CDBG provides funding for services to rehabilitate blighted or substandard housing, remove hazards such as lead-based paint and other health and building safety issues that help preserve existing City housing stock and improve the environment. The CDBG also provides funding for the Residential Lending Program which administers the housing rehabilitation programs. Staff encourages construction contractors, property owners and housing developers to make substantial use of recycled content building materials, energy-conserving building designs and appliances, and water conserving fixtures and landscaping.

Social Equity: Services provided benefit the neighborhoods, low-moderate community, elderly and disabled and contribute to the safety, security and well-being of homeowners.

DISABILITY AND SENIOR CITIZEN ACCESS

These grants, loans and services have a positive impact on the quality of life for all citizens. Funding is proposed for the Access Improvement and Minor Home Repair programs. These programs provide funds to assist property owners to make modifications that make units accessible to the elderly and persons with disabilities and provide services to very low to low-income senior homeowners to readily address minor home repairs. HOME funds are used to develop affordable housing, including units for seniors and accessible to persons with disabilities. CDBG funds are also used to fund fair housing agencies that assist seniors and persons with disabilities. No other disability or senior access issues have been identified.

RECOMMENDATION AND RATIONALE

As described in the program description above, staff is recommending approval of the Annual Action Plan for FY 06-07 and funding allocations for FY 06-07. The following describes the basis and rationale for these recommendations

1. Authorize staff to receive and review public comments on the draft Annual Action Plan for Fiscal Year 2006-07 in order to submit the final plan by May 15, 2006.

Federal regulations require jurisdictions receiving the four federal HUD grants prepare an Annual Action Plan to assess affordable housing and community development needs and submit by May 15th of each year.

2. Accept and appropriate FY 2006-07 grant funds and program income for the CDBG, HOME, HOPWA, and ESG programs

The Annual Action Plan includes the City's applications for the four formula grant programs. The funding recommendations for the FY 06-07 CDBG were made during the FY 05-06 process. Specific awards of funds under the HOME program will be made in response to separate Requests for Proposals later in the year, with final approval by the City Council. The Council approved contracts allocating ESG funds for two years earlier this year and this plan confirms those allocations. HOPWA funds are distributed by formula to Alameda County and Contra Costa County, which in turn allocate those funds competitively.

3. Allocate \$1,839,260 in additional program income collected in FY 2004-05 to make payments of the FY 2006-07 Regular Section 108 Loan and the Section 108 Loan used for the Martin Luther King, Jr. Plaza Project, and to establish a reserve for future years.

The City's inability to collect delinquent and defaulted loans has created a shortfall in funds available for the City's scheduled HUD repayment. CEDA staff recommends the use of CDBG Program Income as the funding source for the HUD Section 108 loan fund repayment deficit.

When the Martin Luther King, Jr. Plaza project was constructed, funding was provided from proceeds of a HUD Section 108 loan. Revenue to repay this loan was anticipated to come from the sale of the finished project. When the project was instead sold to Children's Hospital of Oakland Research Institute (CHORI), staff advised the City Council that there would not be adequate funds to make all the required payments on the Section 108 loan. If other funds could not be identified for this purpose, HUD would reduce the City's CDBG grant each year to cover the required payments.

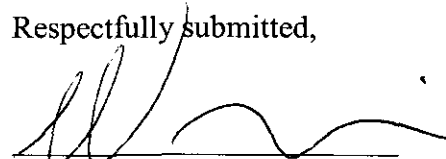
Proceeds from the sale of the project to CHORI were set aside to make payments through FY 2005-06, but those funds will be exhausted after this fiscal year, and the City will be required to make future payments or face a reduction in its CDBG grant, which would necessitate further program cuts.

During FY 2004-05, CDBG Program Income generated from repayment of housing rehabilitation loans was substantially higher than anticipated (\$3,639,260 compared to a budgeted \$1.8 million). Staff proposes to appropriate the unanticipated surplus of \$1,839,260 to make the required payments on the Section 108 loans in FY 2006-07, and to establish a reserve for future years. (The City Council approved a resolution that allocates future program income, beginning in FY 2005-06, in excess of \$1.8 million budgeted to economic development to the housing rehabilitation programs.)

ACTION REQUESTED OF THE CITY COUNCIL

The Community and Economic Development Agency requests that the City Council accept the recommendations described in this report and adopt the resolution.

Respectfully submitted,

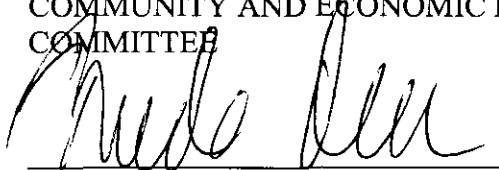


DAN VANDERPRIEM
Director of Redevelopment, Economic
Development and Housing

Prepared By:

Sean Rogan, Deputy Director
Housing & Community Development Division,
Michele Byrd,
CDBG Program Manager

APPROVED AND FORWARDED TO THE
COMMUNITY AND ECONOMIC DEVELOPMENT
COMMITTEE

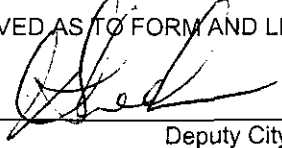


Office of the City Administrator

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2006 APR 11 PM 1:15

APPROVED AS TO FORM AND LEGALITY:

By: 
Deputy City Attorney

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C. M. S.

INTRODUCED BY COUNCILMEMBER _____

RESOLUTION 1) AUTHORIZING THE CITY ADMINISTRATOR TO PREPARE AND SUBMIT TO THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT THE CONSOLIDATED PLAN ANNUAL ACTION PLAN FOR FISCAL YEAR 2006-2007; 2) ACCEPTING AND APPROPRIATING FUNDS TALLING \$15,365,549 FOR THE HOME, EMERGENCY SHELTER GRANT, HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS, AND THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAMS; AND 3) ALLOCATING \$1,839,260 OF ADDITIONAL PROGRAM INCOME COLLECTED IN FY 2004-05 TO MAKE PAYMENTS OF THE FY 2006-07 REGULAR SECTION 108 LOAN AND THE SECTION 108 LOAN USED FOR THE MARTIN LUTHER KING, JR. PLAZA PROJECT

WHEREAS, the U.S. Department of Housing and Urban Development (HUD) requires that the City of Oakland prepare and submit a Consolidated Plan as a condition for receiving Federal funds for housing and community development activities; and

WHEREAS, the Consolidated Plan should be submitted to HUD by May 15, 2006, but no later than the end of the City's current fiscal year; and

WHEREAS, the City has published a draft of the Consolidated Plan Annual Action Plan and has provided for a public comment period of 30 days according to HUD requirements; and

WHEREAS, the City desires to accept grants from HUD for the following programs in the following amounts as identified in the Consolidated Plan;

Community Development Block Grant (CDBG)	\$8,601,041
HOME	4,426,627
American Dream Downpayment Initiative (ADDI)	67,495
Emergency Shelter Grant	365,386
HOPWA	1,905,000

and

WHEREAS, a public hearing will be held May 2, 2006, to solicit public comment on the proposed Consolidated Plan including consideration of the categorical allocation of CDBG funds to programs and projects for FY 2006-07; and

WHEREAS, funding recommendations for the FY 2006-07 CDBG grant were made during the FY 2005-06 process; and

WHEREAS, the previous CDBG FY 2004-05 Adopted Budget included \$1.8 million in "program income," which represents funds received as repayments of loans made to low income homeowners to rehabilitate their homes; and has seen significant repayments of first-time homebuyer loans made in prior years from HOME and Redevelopment Agency Low/Moderate Income Housing Funds; and

WHEREAS, in the past few years the CDBG program income has realized substantial revenue from unanticipated loan repayments due to the strong housing market; and

WHEREAS, actual revenue for FY 2004-05 from Program Income was \$3,639,260; and

WHEREAS, there is a need for funds to make payments on HUD Section 108 loans used for economic development activities; and

WHEREAS, the surplus revenue from FY 2004-05 Program Income of \$1,839,260 of CDBG program income has been recommended to make payments of the FY 2006-07 Regular Section 108 Loan and the Section 108 Loan used for the Martin Luther King Jr., Plaza Project; now, therefore, be it

RESOLVED: That the City Council hereby authorizes and directs the City Administrator, and/or her designee, to prepare the final Consolidated Plan, consistent with the draft Action Plan and related documents, and consider public comments received; and be it

FURTHER RESOLVED: That the City Council hereby authorizes and directs the City Administrator, and/or her designee, to take any actions necessary to execute and submit the documents mentioned above to HUD and any other materials that may be required to secure HUD approval of the City's Consolidated Plan; and be it

FURTHER RESOLVED: That the City Council hereby accepts and appropriates the HUD funds totaling \$15,365,549 and authorizes the City Administrator or her designee to amend the appropriated amounts for FY 2006/07 to reflect actual grant receipts for the programs identified in the final Consolidated Plan; and be it

FURTHER RESOLVED: That CDBG funds shall be appropriated to the HUD-CDBG Fund (2108), HOME funds shall be appropriated to the HUD-HOME Fund (2109) and ESG

& HOPWA funds shall be appropriated to the HUD-ESG/SHP/HOPWA Fund (2103); and be it

FURTHER RESOLVED: That for FY 2006-07 the City Council hereby appropriates Program Income totaling \$3,000,000 and appropriates any Program Income in excess of \$3,000,000 to Housing Rehabilitation Programs to allow for additional funding of loans or grants; and be it

FURTHER RESOLVED: That the City Administrator is hereby authorized to approve any amendments to the Consolidated Plan, and any amendments, modifications or extensions of FY 2006-07 agreements, with the exception of the allocation of additional funds, and take any other action with respect to the agreements consistent with this Resolution and its basic purpose; and be it

FURTHER RESOLVED: That prior to execution, agreements shall be reviewed and approved as to form and legality by the City Attorney, and copies filed with the City Clerk; and be it

FURTHER RESOLVED: That the City Council hereby allocates \$1,839,260 of excess CDBG program income collected in FY 2004-05 to make payments in FY 2006-07 and future years on the Regular Section 108 Loan and the Section 108 Loan used for the Martin Luther King Jr., Plaza Project; and be it further

FURTHER RESOLVED: That the City Council hereby authorizes the City Administrator to conduct negotiations, execute documents, and take any other action with respect to the project and the allocation of CDBG funds consistent with this Resolution and its basic purpose.

, OAKLAND, CALIFORNIA, _____, 2006

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, BRUNNER, CHANG, KERNIGHAN, NADEL, QUAN, REID, AND
PRESIDENT DE LA FUENTE

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____
LATONDA SIMMONS
City Clerk and Clerk of the Council
of the City of Oakland, California