

FROM: Diana Coronado, Legislative Affairs Director

SUBJECT: Community Development Block Grant Program: Proposed Trailer Bill: Association of California Cities – Orange County Suggestions and Comments

DATE: May 8, 2017

Last, Monday the federal budget allowed for the continued funding of the Community Development Block Grant Program (CDBG). The next day, the California Legislature’s Budget Subcommittee 4 on State Administration proposed budget trailer bill language on the Community Development Block Grant Program. The bill changes the current grant percentage allocations, and the application process. Staff has analyzed the trailer bill lsngusge and is soliciting feedback from city housing and economic development agencies and departments. ACC-OC will include feedback and comments from city stakeholders on the effects and changes on Orange County cities and programs that could result from passage of this trailer bill in our eventual comment letter. Below is a short synopsis on the current CDBG program in Orange County and what the proposed trailer bill seeks to change.

The CDBG program is federally funded by the Department of Housing and Urban Development (HUD). According to HUD, the CDBG program works to ensure decent affordable housing, to provide services to the most vulnerable in our communities. The funds have also been used as an economic driver for local governments through the expansion and retention of businesses and the creation of jobs. The annual CDBG appropriation that is allocated between States and local jurisdictions are called "non-entitlement" and the "entitlement" communities respectively. Entitlement communities are comprised of central cities of Metropolitan Statistical Areas (MSAs); metropolitan cities with populations of at least 50,000; and qualified urban counties with a population of 200,000 or more (excluding the populations of entitlement cities). States distribute CDBG funds to non-entitlement localities not qualified as entitlement communities. This proposed trailer bill affects the later, also known as the Small Cities Community Development Block Grant allocated by the State to eligible counties and cities. In orange County these cities include, Brea, Cypress, Dana Point, Laguna Beach, Laguna Hills, Laguna Woods, La Palma, Los Alamitos, Seal Beach, Stanton, and Villa Park.

Over the last two fiscal years, the County of Orange has received $6,454,724 in CDBG grants, which has helped fund the Armory Emergency Shelter, community services and education centers, multi and single-family housing rehabilitation, ADA accessible curb ramps, job creation and business incentive programs, and affordable housing development. These priorities have been identified by the County’s Consolidated Plan (CP), which is designed to help states and local jurisdictions to assess their affordable housing and community development needs. According to the County, the “Urban County” (also known as Small Cities/ non-entitlement cities) has allocated approximately 41 percent of its CDBG allocation to public facilities and infrastructure improvements within targeted low- and moderate-income areas, 20 percent of the City's allocation is reserved for administration costs, and 15 percent is set aside for public services. The County’s reporting has shown that CDBG funds have helped to fulfilled their CP goals including, the development of affordable housing and public service agencies that address the special needs of the underserved, including the homeless, the disabled, youth, seniors, female-headed households, and victims of domestic violence. The CP also refers to economic development initiative, like education and workforce opportunities, infrastructure development, and economic competitiveness.

Unfortunately, the prosed trailer bill language would give cities less flexibility on what projects they can use their funds towards, and may dictate a city’s priorities and CP plan based on new grant restrictions. The proposal would reduce what is currently, 30 percent of the annual CDBG allocations set aside for specified economic development projects and programs administered by the Department of Housing and Community Development (department), to a 15 percent annual allocation. This would severely hamper local economic development programs and job creation investments, and since the dissolution of redevelopment this is one of the only tools left for economic development funding within cities. This proposal would commit cities to the prioritization of housing development. Currently, no less than 51 percent of CDBG funds must be utilized for the purpose of providing or improving housing opportunities for persons and families of low or moderate income (LMI) or the improvement of housing opportunities for LMI persons. This proposal would instead require at least 51 percent of the annual allocation be utilized for those purposes. Additionally, existing law requires the department to develop project standards and rating factors that meet specified minimum requirements of federal statutes for all economic development applications, including economic development assistance grants. This bill would apply this provision to all program applications, this would be a deeply prescriptive funding application process.

A significant priority of ACC-OC and our members is ensuring that this proposal language strikes the right balance of meeting housing needs without diminishing local control. Equally as important, in incentivizing the building of affordable housing, is a lack of attention to the struggle of housing our workforce – which would benefit from the current economic development allocations, not a reduced amount. The county’s report and CP on CDBG funding states, that even during the Great Recession, Orange County was a net importer of workers from surrounding Southern California counties based on our strong economic investments. The strategies listed in the reports provide analyses of the county’s challenges, and presents County assets to respond properly to distressed communities in Orange County with hopes to diminish chronic economic issues while stimulating long-term community economic health, making the need for economic development allocations even more necessary. Further, this bill language hurts cities by removing federal training dollars to assist communities who lack the capacity to apply for and administer economic development projects and programs.

The ACC-OC is dedicated to supporting flexibility options for municipalities when developing this trailer bill language and all legislative proposals. As budget decisions develop ACC-OC will update Orange County cities on this bill proposal and other budget actions.