

## **Objectives and Eligible Activities for Specific Funding Programs**

### 1) Community Development Block Grant (CDBG)

Each year, the City of Pleasanton receives an entitlement grant of federal Community Development Block Grant (CDBG) funds through the U.S. Department of Housing and Urban Development (HUD). CDBG funds must be used for projects which benefit primarily lower income households or individuals, aid in the prevention or elimination of slums or blight, or meet an urgent local community development need.

The City has traditionally opened these federal funds for application by eligible nonprofit agencies which provide housing and services benefiting low-income Pleasanton residents. Activities that are eligible for CDBG funding include acquisition, construction, rehabilitation, or installation of public facilities and improvements; public services (limited to 15% of the City's total grant); removal of architectural barriers to elderly or handicapped persons; and, rehabilitation and preservation activities for low-income housing, senior housing, and other qualified facilities.

Prior to 1994, the City received its CDBG funds through Alameda County as a smaller city. As of July 1, 1994, the City became eligible (due to its increased population) to receive a direct entitlement from HUD. HUD determines each jurisdiction's funding level prior to the beginning of each new fiscal year based on a formula which includes factors such as the population of low income persons and the age and quality of the housing stock. Since becoming an entitlement city in 1994, Pleasanton has received approximately \$250,000 to \$300,000 in CDBG funds each year.

In order to receive CDBG funds each year, the City enters into a contract with HUD to agree to implement the Housing and Community Development Act of 1974 and related CDBG program regulations in 24 CFR (Code of Federal Regulations) 570. All CDBG allocations are subject to the regulations detailed in OMB Circulars A-110 & A-122. Information regarding both programs can be obtained on HUD's website ([www.hud.gov](http://www.hud.gov)) and in Appendix B of this manual.

All CDBG-funded activities must meet at least one of the National Objectives stated in 24 CFR 570.200(a)(2):

1. At least 70% of the program's participants must have low or moderate income as defined by HUD.
2. The project must eliminate slum and blight as defined by HUD.
3. The project must meet an urgent need designated as an emergency

The following activities are eligible for CDBG funding per 24 CFR 570.201:

- Acquisition of real property for any public purposes other than the general conduct of government.
- Disposition of property acquired with Community Development Block Grant (CDBG) funds.
- Acquisition, construction, rehabilitation, or installation of public facilities and improvements carried out by the City or other public or private nonprofit entities.
- Public services (limited to 15% of the City's total CDBG grant) which are directed toward improving the community's public services and facilities, including, but not limited to, those concerned with employment, Welfare Reform, child care, health, drug abuse, education, job training assistance, recreational needs, crime prevention, or energy conservation. To qualify, a public service must be either a new service or a quantifiable increase over the previous year and must benefit seventy percent (70%) low/moderate income persons.
- Removal of architectural barriers, which restrict the mobility, or access of elderly and/or persons with disabilities. All publicly and privately owned buildings and facilities are eligible for funding.

- Rehabilitation and preservation activities for:
  - Low and moderate-income owner-occupied houses.
  - Low and moderate-income public housing.
  - Publicly owned non-residential buildings and improvements otherwise eligible for assistance.
  - Publicly or privately owned historic properties.
  - Closed school buildings to be converted for use as an eligible commercial or industrial facility, public facility, or for housing.
  - Low and moderate-income senior housing.
  - Business that agree to hire and/or serve low and moderate-income persons.
- Activities designed to create or retain jobs. All jobs created within the applicant's project are required to be permanent and at least 51 percent of the total amount must be for persons of low and moderate income.

The following activities are ineligible for funding through CDBG (24 CFR 570.207):

- Buildings for the general conduct of government. This includes operating and maintenance expenses. Exceptions are operation and maintenance expenses associated with public service activities, interim assistance, and CDBG program staff.
- General government expenses except to carry out the CDBG program.
- Political or religious activities.
- Construction equipment.
- Fire protection equipment unless an integral part of a public facility.
- Personal furnishing and property.
- Food not related to direct service delivery to clients.
- Furnishings that are not integral structural fixtures.
- New housing construction except for land acquisition and other specific circumstances
- Income payments and other subsistence payments made to individuals or a family.

## 2) HOME Investment Partnership Program (HOME)

The City of Pleasanton participates with other jurisdictions in the Alameda County HOME Consortium for the purpose of receiving and administering federal HOME (HOME Investment Partnership Program) funds. Pleasanton receives approximately \$150,000 in HOME funds each year through Alameda County.

The Consortium adopted a Five-Year Consolidated Plan in May 2005 covering fiscal years 2005 through 2009 and will adopt an updated Plan in 2010 for fiscal years 2010 through 2014. Each year, participating jurisdictions update the Consolidated Plan with one-year Action Plans which outline resources and activities to be undertaken during the next fiscal year regarding issues relating to housing and community development.

As with federal CDBG funds, the City enters into a contract with HUD to agree to implement the applicable HOME program regulations found in 24 CFR part 92 established by Title II of the Cranston-Gonzales National Affordable Housing Act of 1990. Information regarding the HOME program regulations can be obtained on HUD's website ([www.hud.gov](http://www.hud.gov)) and in Appendix B of this manual.

All HOME-funded activities must meet at least one of the National Objectives stated in Title 42, Chapter 130, Subchapter II, Section 202:

1. Expand the supply of rental housing that is affordable to very low and low-income persons/families.
2. Improve homeownership opportunities to very low and low-income persons and families.
3. Expand the capacity of non-profit providers of lower income housing.
4. Encourage private-sector participation in the development of lower income housing.

Participating Jurisdictions, or PJs [e.g., *the City of Pleasanton as a member of the Alameda County HOME Consortium*], may choose among a broad range of eligible activities per 24 CFR 92.205 and 92.206:

- Provide home purchase or rehabilitation financing assistance to eligible homeowners and new homebuyers.
- Build or rehabilitate housing for rent or ownership or for "other reasonable and necessary expenses related to the development of non-luxury housing," including site acquisition or improvement, demolition of dilapidated housing to make way for HOME-assisted development, and payment of relocation expenses.
- Provide tenant-based rental assistance contracts of up to two (2) years if such activity is consistent with their Consolidated Plan and justified under local market conditions.

Some special conditions apply to the use of HOME funds. HOME-assisted rental housing must comply with certain rent limitations (rent limits are published each year by HUD). The program also establishes maximum per unit subsidy limits and maximum purchase-price limits. PJs must match every dollar of HOME funds used (except for administrative costs) with 25 cents from nonfederal sources, which may include donated materials or labor, the value of donated property, proceeds from bond financing, and other resources. The match requirement may be reduced if the PJ is distressed or has suffered a Presidentially declared disaster. In addition, PJs must reserve at least 15 percent of their allocations to fund housing to be owned, developed, or sponsored by experienced, community-driven nonprofit groups designated as Community Housing Development Organizations (CHDOs).

PJs must ensure that HOME-funded housing units remain affordable in the long term (20 years for new construction of rental housing; 5-15 years for construction of homeownership housing and housing rehabilitation, depending on the amount of HOME subsidy). PJs have two years to commit funds (including reserving funds for CHDOs) and five years to spend funds.

The following activities are ineligible for funding through HOME (24 CFR 92.214):

- Project reserve accounts or operating subsidies
- Tenant-based rental assistance in conjunction with a rental rehabilitation program or for a specific project.
- Match for other federal programs except McKinney Act funds
- Operations or modernization of public housing.
- Acquisition of City-owned property.
- Committing additional HOME funds after a project has been complete for over one year.

### 3) City Lower Income Housing Funds for Housing

Since 1978, the City of Pleasanton has charged an in-lieu fee from developers in order to address the need for affordable housing related to new growth (residential and commercial). The fees have been used to create a Lower Income Housing Fund (LIHF) with the following established purposes:

- Creating new affordable lower income and moderate income housing to offset the impacts of new development, both residential and commercial/office/industrial, on the City's housing stock.
- Enabling the City to meet the portion of its lower income and moderate income housing needs as identified in the General Plan Housing Element which cannot be adequately met through other measures such as inclusionary programs and market rate projects.

LIHF funds shall be used for projects or activities which benefit Pleasanton residents and/or workers and which address the goals policies and programs of the General Plan Housing Element for affordability level, housing tenure, and other priority issues. Priority is given to projects which address the housing needs of very low income, low income, and moderate income households according to the level of need established in the General Plan Housing Element. Priority is also given to projects or activities that create new affordable housing through new construction, acquisition, rehabilitation, extending the term of affordability, and similar methods. The portion of the LIHF which is derived from fees collected from commercial, office, and industrial development is maintained separately from fees derived from residential development and may be used solely for activities aimed at providing lower income housing for Pleasanton workers.

In July 1994, the City Council adopted a set of policies and guidelines for use of the LIHF (Resolution No. 94-80). The eligible uses for the LIHF are summarized below:

- Property acquisition
  - Purchase of land for new construction
  - Purchase of existing housing units for conversion, redevelopment or rehabilitation
  - Purchase of existing affordable housing units to preserve affordability
- New construction
  - Payment of costs associated with construction of new rental or ownership housing for very low or low income households
  - Payment of costs associated with construction of new ownership housing for moderate income, first-time home buyer households
- Rehabilitation
  - Projects or activities that increase the City's stock of low and very low income rental and ownership housing
  - Projects or activities related to the physical maintenance of rental and ownership housing occupied by very low or low income households
- Housing counseling / public services related to housing
  - Provision of counseling and similar assistance where the goal is to expand housing opportunities in Pleasanton for low and very low income households (must benefit at least 70% low income households)
- Financial activities
  - Direct and indirect financial assistance to projects that provide affordable housing
  - Funding for second mortgage and down payment assistance programs for moderate, low, and very low income households

The use of the LIHF is subject to review and approval by the City Council on a case-by-case basis to ensure consistence with the City's adopted policies.

Resolution No. 94-80 specifically states that, if deemed appropriate, the City Council may establish a target or cap each year for the amount of the LIHF which may be made available to supplement the CDBG program in conjunction with the annual CDBG funding allocation process. In the past, the City has allocated approximately \$50,000 to \$100,000 annually from the LIHF to supplement housing-related projects that have applied for CDBG funding and are consistent with the uses established for the LIHF. This supplement has enriched the City's grant program and has allowed the City to extend the benefits provided through federal sources such as CDBG and HOME to benefit a larger number of Pleasanton residents.

#### 4) City General Funds for Human Services (formerly "City Grant")

Since 1994, the City of Pleasanton has implemented a modest annual "City Grant" program to provide financial support for non-profit, community-based organizations through the City's General Fund. The mission statement for the program is simple: "to enhance the quality of life in Pleasanton." Funding has been allocated according to the following three (3) categories:

1. Human Services
2. Youth Programs and Services
3. Civic Arts / Culture

The total amount of funding allocated each year through the City Grant program has ranged from approximately \$30,000 to \$190,000, with the highest level of funding (approximately \$130,000 annually) going to the category of human services.

In 2009, the City Council approved changes to the City's grant process to move the portion of funding formerly allocated for human services through the City Grant program to the new Housing and Human Services Grant (HHSG) program. The smaller Youth and Civic Arts grant programs will continue to be administered separately as the new "Community Grant" program.

The following general activities are eligible for City General Fund grants for human services:

- Seed funding (new projects/programs)
- Capital projects (permanent or semi-permanent physical facility amenity)
- Operational (direct services only; administrative expenses are ineligible)

The priority for this HHSG funding category is for projects and activities that promote a healthy community, with emphasis on projects that address service network gaps and shortcomings as identified in the Tri-Valley Human Services Needs Assessment (May 2003).

Inasmuch as the amount of funding available through the General Fund is limited, priority will be given to those applications requesting one-time-only or matching funds and that serve a large number of Pleasanton residents.

In order to meet City financial and accounting requirements, projects funded with General Funds must have a start-up date not earlier than July 1 and must be completed by June 30 of the applicable fiscal year (i.e., funds cannot be expended prior to July 1 or after June 30).