

{{item.number}}

February 4, 2025

Honorable Mayor and City Council
City of Long Beach
California

RECOMMENDATION:

Recommendation to approve the Substantial Amendment to the Fiscal Year (FY) 2024-2025 and Substantial Amendment to the FY 2022-2023 Action Plans for the expenditure of Community Development Block Grant (CDBG) funds; and,

Authorize the City Manager, or designee, to execute all necessary documents with the United States Department of Housing and Urban Development, and other entities, to execute agreements necessary to implement and comply with related federal regulations. (Citywide)

DISCUSSION

The City of Long Beach (City) receives federal funds from the United States Department of Housing and Urban Development (HUD) through the Community Development Block Grant (CDBG), HOME Investment Partnership Program (HOME) and Emergency Solutions Grant (ESG) entitlement programs. To receive these funds, the City is required to prepare a five-year Consolidated Plan and adopt an Annual Action Plan for the use of the CDBG, HOME and ESG funds. The City's 2023 - 2027 Consolidated Plan and Fiscal Year (FY) 2022-2023 Action Plan were approved by City Council for submittal to HUD on July 19, 2022, and subsequently approved by HUD. The FY 2024-2025 Action Plan was approved by City Council on June 18, 2024. An update to that plan is required at this time to add funds to the successful roof program for low-income homeowners including seniors.

Federal regulation 24 CFR 91.505 and the City's Citizen Participation Plan require a substantial amendment to the Consolidated Plan and/or Annual Action Plan if there is a change in the use of CDBG, HOME or ESG funds from one activity to another activity in excess of 25 percent of the total CDBG, HOME or ESG grant allocations for the program year, a change in allocation priorities, or a change in the purpose, scope, location or beneficiaries of an activity.

In 2008, the United States Congress established the Neighborhood Stabilization Program (NSP) as part of the Housing Economic Recovery Act to provide emergency assistance to stabilize communities with high rates of abandoned and foreclosed homes. In 2009, a second round of NSP was authorized under the American Recovery and Reinvestment Act, and finally, in 2010, a third round of NSP was authorized under the Wall Street Reform and Consumer Protection Act. The City was a recipient of all three rounds of NSP funding and rehabilitated and sold 140 foreclosed homes to low-income households. Consistent with the federal requirements, the City utilized all of its NSP funds and the now existing balance represents income from the sale of those rehabilitated homes.

City Council authorized the City Manager, or designee, to execute all necessary documents with HUD, and other entities, to receive NSP funds and execute agreements necessary to implement and comply with related federal regulations on November 18, 2008 (NSP 1), March 3, 2010 (NSP 2) and February 8, 2011 (NSP 3).

On June 9, 2016, in order to encourage more jurisdictions to formally closeout NSP grants, HUD published a notice at 81 Federal Register 38730 to revise requirements and the treatment of program income for all three rounds of NSP by allowing NSP program income received by a CDBG recipient to be transferred to the CDBG program through a Substantial Amendment. The City intends on closing out NSP grants shortly after the approval of the transfer of funds.

Funding Reallocation and Program Description

The City is proposing a Substantial Amendment to its FY 2024-2025 Annual Action Plan to allocate the transfer of program income for all three rounds of NSP to CDBG in the amount of \$2,866,439 and to reallocate \$300,000 in unspent funds previously assigned to the CDBG Accessory Dwelling Unit (ADU) Program (Attachment A). The City's current ADU Program is funded through other sources and is ineligible for CDBG reimbursement as designed. A total combined amount of \$3,166,439 will be used to increase funding for the Home Improvement Roof Grant Program (HIRGP).

The HIRGP meets a high-priority community need to replace roofs and improve housing conditions for low-income households and currently has a waitlist where potential program participants have been pre-screened and are eligible for the CDBG program. To date, the program has served 38 households with new roofs and there are 56 new roofs underway. Additional program funding is needed to continue to meet the needs of low-income households. Without increased program funding, the applications in progress will not be able to move forward.

This activity addresses priority needs sections of the 2023-2027 Consolidated Plan (Pages 98-105) under Improved Quality of Aging Housing Stock. The proposed changes will not impact prior allocations to programs and projects.

Citizen Participation

The draft Substantial Amendments were made available for public review for 30 days, from December 13, 2024, to January 13, 2025. The City of Long Beach Community Investment Company held a public hearing regarding the Substantial Amendments on January 15, 2025. Multilingual public notices of the public hearing and proposed amendment were published on the City's website, *Long Beach Press Telegram* and *La Opinion*.

This matter was reviewed by Deputy City Attorney Adam Jacobs on January 14, 2025, and Revenue Management Officer Geraldine Alejo on January 11, 2025.

TIMING CONSIDERATIONS

City Council action is requested on February 4, 2025, as the Substantial Amendments to the

2024-2025 and 2022-2023 Action Plans must be submitted to HUD as soon as possible to meet priority needs. Funds must be expended and drawn by August 2, 2025, to meet a HUD timeliness test that occurs on this date.

FISCAL IMPACT

The Substantial Amendment reallocates \$3,166,439 of existing funds currently appropriated in the Community Development Grants Fund Group in the Community Development Department to other eligible programs that address the needs, strategies, and goals identified in the City's approved Consolidated Plan. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



Christopher Koontz
Community Development

APPROVED:

THOMAS B. MODICA
CITY MANAGER