

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To: The Honorable Mayor and Council
From: Kristine Pavlik, Housing and Grants Administrator
Date: 03/30/2023
Meeting Date: 05/02/2023



TITLE:

Consideration and Adoption of Resolution No. 2023-XX: A resolution approving the City of Flagstaff's 2023 Annual Action Plan and authorizing its submission to the U.S. Department of Housing and Urban Development (HUD).

STAFF RECOMMENDED ACTION:

- 1) Read Resolution No. 2023-XX by title only
- 2) City Clerk reads Resolution No. 2023-XX (if approved above)
- 3) Adopt Resolution No. 2023-XX

Executive Summary:

This staff summary is for the approval of the City of Flagstaff's 2023 Annual Action Plan that is a required submission to the U.S. Department of Housing and Urban Development (HUD) as part of the Community Development Block Grant (CDBG) program. This document identifies how the anticipated 2023 CDBG allocation will address Flagstaff's community needs identified in the 2021-2025 Consolidated Plan and how funding will be distributed within Flagstaff city limits.

The Annual Action Plan is due to HUD on May 15th, 2023. The City of Flagstaff CDBG entitlement allocation for 2023 is \$541,191. Timely submission of the Annual Action Plan will enable the City to continue its annual entitlement allocation of CDBG funding.

Financial Impact:

Approval of the above resolution is critical to the City of Flagstaff receiving its annual CDBG entitlement allocation. The 2023 CDBG entitlement allocation is \$541,191. In addition, the City of Flagstaff is able to include program income and prior year de-obligated funds to increase funding available for allocation. These additional funds equal \$199,588.50. Therefore, an estimated grand total of \$740,779.50 is available for CDBG eligible projects for the 2023 program year, through the Annual Action Plan. The proposed allocation takes into consideration administrative costs and the City's financial impacts by including the estimated indirect rate of 10%.

Policy Impact:

The Flagstaff City Council's CDBG Priorities:

- Provide affordable housing (rental and ownership)
- Address homelessness

- Support neighborhood revitalization
- Workforce development (including job training and lifespan education)

**Connection to PBB Priorities/Objectives, Carbon Neutrality Plan & Regional Plan:
Priority Based Budgeting**

- **High Performing Governance**
 - Encourage public trust through transparency, accessibility & use of the City's public participation policy
 - Implement innovative local government programs, new ideas & best practices; be recognized as a model for others to follow
- **Safe & Healthy Community**
 - Support social services, community partners & housing opportunities
 - Provide alternative responses, resources & programs, inclusive of mental health & other services
- **Inclusive & Engaged Community**
 - Foster community pride & civic engagement by increasing opportunities for public involvement, in line with best practices & legal requirements
 - Advance social equity & social justice in Flagstaff by supporting social services
 - Facilitate & foster diversity & inclusivity, including support of anti-racist policies & practices
 - Enhance community involvement, education & regional partnerships to strengthen the level of public trust
 - Ensure city facilities, services, & programs are accessible for all residents & representative of Flagstaff's diverse community
- **Sustainable, Innovative Infrastructure**
 - Support the community's social infrastructure needs; assist those partner organizations that provide services the City does not
- **Robust Resilient Economy**
 - Support & strengthen a more robust, diverse, & sustainable economy in ways that reflect community values & provides for affordable housing opportunities
 - Enhance understanding between the development community, the City & Flagstaff residents
 - Enhance the community's workforce development programs & improve partnerships with higher education institutions & the private & public sectors
- **Livable Community**
 - Support regional partners which provide equitable & inclusive educational opportunities for Flagstaff residents of all ages
 - Actively support attainable & affordable housing through City projects & opportunities with developers
- **Environmental Stewardship**
 - Implement, maintain & further the Climate Action & Adaptation Plan (CAAP) with awareness of social inequities

Regional Plan

- **Goal NH.1. Foster and maintain healthy and diverse urban, suburban, and rural neighborhoods in the Flagstaff region.**
 - Policy NH.1.1. Preserve and enhance existing neighborhoods.
- **Goal NH.3. Make available a variety of housing types at different price points, to provide housing opportunities for all economic sectors.**
 - Policy NH.3.1. Provide a variety of housing types throughout the City and region, including purchase and rental options, to expand the choices available to meet the financial and lifestyle needs of our diverse population.
 - Policy NH.3.3. Increase the availability of affordable housing for very low-income persons, through innovative and effective funding mechanisms
- **Goal NH.4. All housing is safe and sanitary.**
 - Policy NH.4.1. Expand the availability of affordable housing throughout the region by preserving existing housing, including housing for very low-income persons. Policy NH.4.2. Reduce substandard housing units by conserving and rehabilitating existing housing stock to minimize impacts on existing residents.
 - Policy NH.4.3. Address accessibility issues and other housing barriers to persons with disabilities or special needs.
 - Policy NH.4.4. Encourage green practices in housing construction and rehabilitation that support durable, healthy, and energy efficient homes.
 - Policy NH.4.5. Renovate the existing housing stock to conserve energy and reduce utility and maintenance costs for owners and occupants.
 - Policy NH.4.6. Consider and integrate public transportation, when possible, in planning housing developments, to help reduce a household's transportation costs and minimize impact on the community's roads and transportation system.
 - Policy NH.4.7. Enforce compliance with fair housing laws.
- **Goal NH.5. Eliminate homelessness.**
 - Policy NH.5.1. Provide adequate resources for families with children experiencing homelessness.
 - Policy NH.5.2. Provide adequate resources for individuals experiencing homelessness.
 - Policy NH.5.3. Support and expand programs that prevent homelessness.
 - Policy NH.5.4. Make transitional housing resources available to populations experiencing homelessness

Carbon Neutrality Plan

- **Community resilience**
 - CR-1: Ensure all mitigation actions improve Flagstaff's ability to adapt to the future.
 - CR-2: Strengthen existing community systems to create resilience to both short-term shocks and long-term change.
- **Equitable systems**
 - ES-2: Proactively engage community members on an ongoing basis
 - ES-4: Actively seek to recognize past harms, repair trust, and build deeper relationships with community members.

10 Year Housing Plan

- **Connect people to equitable housing solutions.**

- Connect 1: Reduce homelessness in the Flagstaff community and seek creative solutions to foster housing permanency for all.
 - Connect 1.3 Continue to support and develop Coordinated Entry as a meaningful process that provides linkages to healthcare, behavioral health, and housing
- Connect 2: Implement a framework for centering equity in proposed and existing housing practices, policies, and programs.
 - Connect 2.1 Evaluate housing policies and strategies in City of Flagstaff planning documents through an equity lens.
 - Connect 2.2 Encourage community organizations such as local Continuum of Care to continue to integrate equity into programs and policies.
- Connect 3: Integrate healthcare into housing programs, and housing into healthcare programs, as appropriate.
 - Connect 3.1 Raise awareness of housing security as a social determinate of health
 - Connect 3.2 Encourage neighborhoods, housing types and building practices that increase health.
 - Connect 3.3 Work in partnership with the community to develop and promote community health measurement data collection into housing services when viable
- **Preserve affordable housing**
 - Preserve 1: Encourage the adaptive reuse of buildings.
 - Preserve 2.2 Acquire and rehabilitate already built properties for affordable housing projects when financially feasible.
- **Protect people from housing discrimination and remove housing barriers.**
 - Protect 1: Continue Flagstaff's commitment to further Federal and Arizona Fair Housing laws in all housing-related services and programs, valuing the efforts of those who seek to reduce barriers to equitable housing opportunities, and providing Fair Housing education and resources to the community.

Has There Been Previous Council Decision on This:

Staff received Council direction on Council CDBG priorities during the January 23, 2023 Council meeting which are identified in Policy Impact above and Background/History below.

Housing Staff presented an overview of CDBG applications received and the ranking committees recommendations for CDBG funding allocations to the Housing Commission on March 23, 2023. The Housing Commission unanimously passed a motion to forward these recommendations to City Council with a recommendation for approval.

Options and Alternatives:

1. Approve Resolution No. 2023-XX and authorize the submission of the Annual Action Plan to HUD by May 15th, 2023.
2. Modify Resolution No. 2023-XX and authorize the submission to HUD.
3. Not approve Resolution No. 2023-XX and risk losing the 2023 CDBG allocation

Background/History:

In order to receive CDBG funding, the City must complete and submit to HUD the required 2023 Annual Action Plan by May 15th, 2023. This plan describes how CDBG funds will be used in the coming year and how the annual allocation will be used to meet community needs identified in the

2021-2025 Consolidated Plan.

Every two years, staff requests guidance from Council on CDBG Priorities for the coming two years. On January 23, 2023, Council received an overview of the CDBG program and established four priorities:

- Provide affordable housing (rental and ownership)
- Address homelessness
- Support neighborhood revitalization
- Workforce development (including job training and lifespan education)

Through the 2023 CDBG process, the City of Flagstaff Housing Section received 6 external Community Development Block Grant/ARPA Recovery Fund proposals and 1 internal request for CDBG funds for the 2022 Program Year.

Housing staff are responsible for determining whether a proposed activity is eligible, conducting a risk assessment of the project as well as the applying agency. Federal funds require administrative knowledge and capacity to ensure compliant and timely expenditure of funds. Additionally, a Ranking Committee comprised of three community representatives and three City staff met to review the external proposals and rank them by consensus. Rankings primarily serve as a risk and benefit assessment and are the guiding input for staff recommendations forwarded to City Council.

Below is a list of the proposals in ranking order. The proposals are divided between Housing and Public Service categories as HUD requires two separate funding limits and different criteria. Internal City of Flagstaff proposals are presented to meet City Council priorities or other unmet needs in the community and are not ranked (NR) competitively with the other proposals, since the City would administer these projects directly. A comprehensive Proposal Book that includes each of the below proposals was distributed to Council on April 7, 2023

Housing Activities	Proposal/ Project	Request	Ranking
City of Flagstaff	La Plaza Vieja Phase II	\$700,000.00	NR
Northland Family Help Center	Shelter Rehabilitation Project	\$130,058.00	186
Housing Solutions of Northern Arizona	Acquisition of 2 Affordable Rental Units	\$375,000.00	184
Flagstaff Shelter Services	The Lantern: A Hotel to Housing Project	\$245,000.00	183
Roers Flagstaff Apartments LLC	LIHTC Woody Mountain Apartments	\$600,000.00	119

Public Service Activities	Proposal/ Project	Request	Ranking
Housing Solutions of Northern Arizona	JoJo's Place - Operating Support	\$100,000.00	193
Community Assistance Teams of Flagstaff	Mobile Shower and Outreach Bus	\$20,800.00	128

Key Considerations:

In order to receive CDBG funding, the City must complete an AAP that describes how CDBG funds will be used in the coming year and how the activities will accomplish the goals outlined in the 2021-2025 Consolidated Plan.

The creation of the Consolidated Plan is an extensive process involving public and stakeholder input (gathered through surveys, public meetings, and a 45 day public comment period), community needs assessments and a housing market analysis. The data outlined in the Con Plan helps determine the relative priority of activities and the populations that will be served in the coming years with federal funds. HUD allows two priority designations – high and low. Assignment of priority does not reflect a lack of need for any particular population or activity; it merely identifies those conditions that are most likely to be addressed with limited CDBG funding.

- High (H) priority activities are likely to be funded with CDBG resources during the next five years.
- Low (L) priority activities may be funded as opportunities arise.

Special Populations are certain clientele that are presumed by HUD to be low/moderate income and are defined as senior citizens, severely disabled adults, persons living with AIDS, battered spouses, abused children, the homeless, illiterate adults, or migrant farm workers.

The table attached summarizes the 5 Year Con Plan Goals outlining associated CDBG activities, the priority level and 5-year numeric goals for each. Activities that will be targeted to special populations are also indicated.

The table is designed to meet HUD requirements.

5 Year Consolidated Plan Goals			
Activities	Special Population	Priority Level	5 Year Goal
<u>Priority Need:</u> Neighborhood Revitalization, Public Facilities & Infrastructure			
Neighborhood Facility and Infrastructure Improvements <i>Includes Parks/ Playgrounds/ Streets/ Water Sewer Lines/ Energy Efficiency/ Broadband Infrastructure/ Etc.</i>		High	3,000 people
Public Facilities <i>Includes Acquisition/ Construction/ Reconstruction/ Rehab/ Installation/ Improvements/ Etc.</i>	X	High	100 people
Acquisition for Affordable Housing Development <i>Land/ Real Property/ Etc.</i>		Low	3 units
<u>Priority Need:</u> Public Services & Economic Opportunities			

Services to Meet Basic Needs <i>Includes Childcare/ Senior Services/ Services for Disabled Individuals/ Mental Health/ Etc.</i>	X	High	300 people
Workforce Development <i>Includes Employment/ Job Training/ Business mentorship/ support/ assistance</i>	X	Low	15 people
Housing Stabilization <i>Includes Rental Assistance/ Eviction and Foreclosure Prevention/ Legal Services/ Housing Counseling/ Etc.</i>		High	50 households
Priority Need: Addressing Homelessness			
Service and Facility Operating Support <i>Includes Outreach/ Shelter Managers / Case Managers/ Coordinated Entry/ Etc.</i>	X	High	1,500 people
Increase Shelter Beds/Units <i>Includes Emergency / Transitional Shelter/ Permanent Supportive Housing/ Etc.</i>		High	15 beds/units
Priority Need: Decent Affordable Housing			
Housing Rehabilitation <i>Includes Owner and Renter Housing</i>	X	High	20 housing units
Housing Development <i>Includes Owner and Renter Housing</i>		High	3 units
Housing Assistance <i>Includes Owner and Renter Housing</i>		High	50 households

Expanded Financial Considerations:

Through the 2023 CDBG process, the City of Flagstaff Housing Section received 6 external Community Development Block Grant/ARPA Recovery Fund proposals and 1 internal request for CDBG funds for the 2023 Program Year.

The City received its official 2023 Entitlement allocation from HUD in March. This year's allocation is \$541,191, slightly higher than the previous year. In addition, the City of Flagstaff is able to include program income and prior year de-obligated funds to increase funding available for allocation. These additional funds equal \$199,588.50. Therefore, an estimated grand total of \$740,779.50 is available for CDBG eligible projects for the 2023 program year, through the Annual Action Plan. The proposed allocation takes into consideration administrative costs and the City's financial impacts by including the estimated indirect rate of 10%.

2023 CDBG Funding Recommendations

Funding recommendations are made after an extensive risk assessment and based on eligibility of the project, adherence to CDBG regulations and alignment with Council CDBG goals and goals within the Consolidated Plan.

Below are the CDBG funding recommendations for the 2023 Annual Action Plan:

2023 Estimated Funding Available	
2023 Entitlement Allocation	\$541,191.00
Program Income (PI)	
De-obligated funds	\$145,251.00
(NACA Small Business Assistance Program)	\$54,337.50
Total Available Funding for Allocation	\$740,779.50

Planning and Administration Funding

Recommendation

Federal CDBG regulations do not allow more than 20% of funds to be spent on Planning and Administration activities; allowable administrative funding for Program Year 2023 equals \$131,105.70. To ensure compliance with HUD funding caps, the recommended allocation is rounded down to \$131,000.

Below are the 2022 funding recommendations for the Administration category:

Administration (20%)	
Grant Compliance and Administration	\$69,921.68
Estimated City Indirect at 10%	\$61,078.32
Total Administration	\$131,000.00*

**Rounded down to ensure compliance with 20% Administrative Cap*

Public Service Funding Recommendation

Federal CDBG regulations do not allow more than 15% of funds to be spent on Public Service Activities: \$98,329.28 for Program Year 2023. Staff recommends funding the highest ranking application as close to the max allowable as possible, leaving a small amount of unallocated funds as a contingency. Therefore, staff recommends funding JoJo's Place Operating Support at \$98,000. Funding for CAT's Mobil Shower and Outreach Bus is not recommended. Ranked applications with comments were distributed to City Council on April 7, 2023.

Below are the funding recommendations for the Public Service Category:

Public Service Activities	Proposal/Project	Request	Staff Recommendation	Ranking
Housing Solutions of Northern Arizona	JoJo's Place Operating Support	\$100,000.00	\$98,000.00	193
Community Assistance Teams of Flagstaff	Mobile Shower and Outreach Bus	\$20,800.00	\$0	128
Total Public Service Allocation		\$98,000.00*		

**Rounded down to ensure compliance with 15% Public Services Cap*

Housing Activity Funding Recommendation

Prior to the March Housing Commission meeting where CDBG funding recommendations were discussed, Staff from the Housing Section and Capital Improvements discussed the internal funding request for La Plaza Vieja Phase II. In order to make this project successful, Capital Improvements requested a funding allocation of \$700,000. Due to the increasing costs of this project and in the absence of other identified funding it was determined that it would be best to fund this project when additional leverage funding is identified. If another funding source is identified in the future, Capital will request CDBG funding to match or fill funding gaps identified. The internal request was withdrawn at that time.

There is \$512,779.50 in CDBG funding available for Housing Activities. Staff recommends fully funding the highest ranking application and allocating partial funding to the next highest ranking allocation. With this recommendation, Northland Family Help Center will receive the full requested funds. Housing Solutions of Northern Arizona will utilize funds to acquire 2 of the 3 proposed units and Flagstaff Shelter Services will update at least 35 of the 103 proposed emergency shelter rooms. Funding for Roers LIHTC Woody Mountain Apartments is not recommended. Ranked applications with comments were distributed to City Council on April 7, 2023.

Below are the funding recommendations for the Housing Category:

Housing Activities	Proposal/Project	Request	Staff Recommendation	Ranking
Northland Family Help Center	Shelter Rehabilitation Project	\$130,058.00	\$130,058.00	186

Housing Solutions of Northern Arizona	Acquisition of Affordable Rental Units	\$375,000.00	\$250,000.00	184
Flagstaff Shelter Services	The Lantern: A Hotel to Housing Project	\$245,000.00	\$132,721.50	183
Roers Flagstaff Apartments LLC	LIHTC Woody Mountain Apartments	\$600,000.00	\$0	119
Total Housing Activity Allocation		\$512,779.50		

Community Benefits and Considerations:

The below chart compares each projects intended impact and the number of beneficiaries with the goals outlined in the 2021-2025 Consolidated Plan to demonstrate the Community Benefit of the CDBG funding recommendations.

The chart below details the 2023 CDBG funding and allocation recommendations:

2023 CDBG Funding Allocation Recommendations			
Housing and Public Service Activities	Staff Recommended Funding	Individuals/ Households Served	Consolidated Plan 5-Year Goal
Northland Family Help Center	\$130,058.00	180 Individuals	100 individuals
Housing Solutions of Northern Arizona	\$250,000.00	2 units – approx. 7 households	3 units
Flagstaff Shelter Services	\$132,721.50	200 Individuals – 35 units	100 individuals
Housing Solutions of Northern Arizona	\$98,000.00	100 Individuals – 44 units	1,500 individuals
Total Housing & Public Service Activities		\$608,837.50	
Total Administration (20% Cap)		\$131,000.00	
Total City of Flagstaff 2023 CDBG Allocation		\$740,779.50	

Total Individuals/ Households Proposed Served in 2023	81 units 480 individuals (approx. 184 households)
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If funded as detailed in the chart above, these recommendations would create 2 permanently affordable rental units, 44 units of transitional housing and support the rehab of 35 emergency shelter motel rooms as well as a youth and domestic violence shelter. These projects will serve 480 individuals experiencing homelessness and approximately 7 low income households.

Community Involvement:

Public process requirements for the Annual Action Plan offer extensive community involvement and collaboration ranging from public meetings and public comment periods to a ranking committee and are outlined in the Council adopted CDBG Citizen Participation Plan

In preparing the Annual Action Plan, the City encouraged public input by contacting public and private agencies that provide housing or human services, neighborhood organizations and citizens. The City held three meetings to solicit public input on the past year’s project performance and recommendations for new project allocations for the upcoming program year. Public meetings included:

1. Discussion of the amount of CDBG funds expected to be available including program income and prior year’s funds not yet allocated to project use;
2. The full range of HUD activities that may be undertaken with the funding being discussed;
3. The amount of resources that will be directed to low- and moderate-income households; and
4. The uses of funds in the prior years

Public Participation

Public Hearings: Neighborhood/Target Area

Flagstaff Target Neighborhoods Meetings

September 12, 2022

March 2, 2023

1. Discussed purpose and content of Consolidated/Annual Action Plan
2. Received public comment regarding community needs and priorities
3. Discussion of the type and amount of Federal funds anticipated to be available and eligible activities
4. Discussion with City of Flagstaff Capital Improvement, Water Services, Planning, or Parks and Rec departments as applicable regarding upcoming City projects in target area.

Public Hearings: Program Year 2023 Annual Action Plan

First Public Meeting – February 1, 2023

- Display advertisement (January 17, 18 and 25 2023 – AZ Daily Sun)
 - Meeting to discuss the CDBG proposal process and the Annual Action Plan
1. Discussed purpose and content of Annual Action Plan
 2. Received public comment regarding community needs and priorities
 3. Discussion of the type and amount of Federal funds anticipated to be available and eligible activities
 4. Discussion of the City's CDBG open proposal process (proposals are due in February) and dissemination of proposal packets

Public Hearing: Public Comment on Annual Action Plan Agenda

Second Public Meeting March 2, 2023

- Display advertisement (February 9 & 16, 2023 – AZ Daily Sun)
 - Meeting to review the submitted proposals and allowed public comment in preparation for making funding recommendations to City Council
1. Presentation by City staff of activities proposed to be undertaken and funded
 2. Open discussion of the proposed activities
 3. Discussion of estimate of the low income benefit related to proposed activities
 4. Discussion of displacement issues and City anti-displacement policy
 5. Presentation by staff of draft Annual Action Plan

Open Grant Process

- NoFA (Notice of Funding Available) Released
- Proposal dues to the City of Flagstaff March 1, 2023
- Proposal Ranking Committee with Citizen Participation and Staff on March 22, 2023

Public Comment Period for Draft documents posted on City of Flagstaff Housing Section Website: Annual Action Plan - March 1 – April 1, 2022

- Display advertisement (December 17,18 and 25, 2023 – AZ Daily Sun)
- Display advertisement (February 9 and 16, 2023 – AZ Daily Sun)

April City Council Public Hearing-30 days after draft publication date Agenda

- Presentation by City staff of Annual Action Plan and recommendations for funding
- Open public hearing regarding activities proposed to be undertaken
- Approval by City Council

City Council Work Session – April 11th, 2023

- Presentation and Discussion with City Council regarding 2022 Annual Action Plan – requesting Council input and direction

- Comments may be submitted by mail or email, or citizens could provide public comment at the meeting

City Council Meeting – May 2, 2023

- Consideration and Approval of Resolutions No. 2023-XX and authorizing the submission of the Annual Action Plan to HUD.

With efforts to attract a diverse group of social service agencies, emails were distributed to all members of Coconino County's Continuum of Care (300 members). Additionally, agencies that had previously requested information and/or had been involved in the CDBG proposal process in prior years received personal invitations. The proposal format was provided at the first public meeting and placed on the City website with a submission deadline of March 1, 2023.

Expanded Options and Alternatives:

1. Approve Resolution No. 2023-XX and authorize the submission of the 2023 Annual Action Plan to HUD.
2. Modify any or all of the Resolution No. 2023-XX.
3. Not approve Resolution No. 2023-XX.

Attachments: