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CITY OF FLAGSTAFF STAFF SUMMARY REPORT

To: The Honorable Mayor and Council
From: Kristine Pavlik, Housing and Grants Administrator
Date: 03/27/2024
Meeting Date: 04/16/2024



TITLE:

Consideration and Adoption of Resolution No. 2024-XX: A resolution approving the City of Flagstaff's 2024 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. 2024-XX by title only
- 2) City Clerk reads Resolution No. 2024-XX (if approved above)
- 3) Adopt Resolution No. 2024-XX

Executive Summary:

This staff summary is for the approval of the City of Flagstaff's 2024 Annual Action Plan (AAP) 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 2024 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 15, 2024. Timely submission of the Annual Action Plan will enable the City to continue its annual 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 CDBG entitlement amount for Program Year 2024 is unknown at this time, awaiting notice from HUD, however, staff is estimating an allocation of around \$535,000. In addition to the funding allocated by HUD, the City of Flagstaff is able to include program income and de-obligated funds from prior years to increase the amount available for allocation. These additional funds equal \$187,313.00. Therefore, an estimated grand total of \$722,313.00 is available for CDBG-eligible projects for the 2024 Program Year, through the City of Flagstaff Annual Action Plan. The proposed allocation takes into consideration administrative costs and the City's financial impacts by including the indirect rate of 10%.

Policy Impact:

The Flagstaff City Council's CDBG Priorities (established January 2023):

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

Connection to PBB, Carbon Neutrality Plan, 10-Year Housing 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 committee and staff recommendations for CDBG funding allocations to the Housing Commission on March 28, 2024. The Housing Commission unanimously passed a motion to forward these recommendations to City Council with a recommendation for approval. Along with this recommendation, the Housing Commission also wanted to acknowledge that the location of the proposed Resource Center is located in a neighborhood with an existing concentration of social services.

Housing Staff presented these recommendations to City Council during the April 9, 2024, City Council work session.

Options and Alternatives:

1. Approve Resolution No. 2024-XX and authorize the submission of the Annual Action Plan to HUD by May 15, 2024.
2. Modify Resolution No. 2024-XX and authorize the submission to HUD.
3. Not approve Resolution No. 2024-XX and risk losing the 2024 and future CDBG allocations

Background and History:

In order to receive CDBG funding, the City must complete and submit to the HUD the required 2024 Annual Action Plan by May 15, 2024. This plan describes how CDBG entitlement funds will be used in the coming Program Year and how the annual entitlement will be allocated to meet community needs identified in the 2021-2025 Consolidated Plan.

Through the 2024 CDBG process, the City of Flagstaff Housing Section received 5 external proposals in response to the Notice of Funding Available (NOFA) released on January 24, 2024. Housing Staff has also identified an urgent need project and has submitted an internal request on behalf of a partner agency.

Housing staff are responsible for determining whether a proposed activity is eligible and 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 two 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 brought to the Housing Commission and 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. Housing Staff has included an internal request for an urgent need project, on behalf of a partner agency. This need was identified after the deadline for proposal submission. The project and agency have been determined low risk, and the unmet need is in line with City Council priorities. Because of this, the internal request is not ranked (NR) competitively with the other proposals.

| Housing Activities | Proposed Project | Requested Funding | Ranking |
|---|--|-------------------|---------|
| Community Assistance Teams (CATS) of Flagstaff | Resource and Day Center - Property Acquisition | \$200,000.00 | 111.6 |
| Staff Request on behalf of Flagstaff Shelter Services | Safety Improvements at The Lantern | \$302,113.00 | NR |

| Public Service Activities | Proposed Program | Requested Funding | Ranking |
|--|-----------------------------------|--------------------------|----------------|
| Coconino County Health and Human Services | Senior Nutrition Program | \$44,200.00 | 125.6 |
| Community Assistance Teams (CATS) of Flagstaff | Mobile Shower and Outreach Bus | \$50,000.00 | 125.5 |
| Boys and Girls Club of Flagstaff | Childcare and School Break Camps | \$75,000.00 | 107.9 |
| Pearl Transit Corp. (Did not meet the threshold for ranking) | Oral Health Outreach and Services | \$60,000.00 | NR |

Key Considerations:

To receive continued 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. (HUD Terminology)

The table attached summarizes the 5-Year Consolidated 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 |
| Neighborhood Revitalization, Public Facilities & Infrastructure | | | |
| Neighborhood Facility and Infrastructure Improvements | | High | 3,000 Individuals |
| Public Facilities | X | High | 100 Individuals |
| Acquisition for Affordable Housing Development | | Low | 3 Units |
| Public Services & Economic Opportunities | | | |

| 5-Year Consolidated Plan Goals | | | |
|--|---|------|-------------------|
| Services to Meet Basic Needs | X | High | 300 Individuals |
| Workforce Development | X | Low | 15 Individuals |
| Housing Stabilization | | High | 50 Individuals |
| Addressing Homelessness | | | |
| Service and Facility Operating Support | X | High | 1,500 Individuals |
| Increase Shelter Beds/Units | | High | 15 Beds/Units |
| Providing Decent Affordable Housing | | | |
| Housing Rehabilitation | X | High | 20 Units |
| Housing Development | | High | 3 Units |
| Housing Assistance | | High | 50 Households |

Community Benefits and Considerations:

The CDBG entitlement amount for Program Year 2024 is unknown at this time, awaiting notice from HUD, however, staff is estimating an allocation of around \$535,000. In addition to the funding allocated by HUD, the City of Flagstaff is able to include program income and de-obligated funds from prior years to increase funding available for allocation. These additional funds equal \$187,313.00. Therefore, an estimated grand total of \$722,313.00 is available for CDBG-eligible projects for the 2024 Program Year, through the City of Flagstaff Annual Action Plan. The proposed allocation takes into consideration administrative costs and the City's financial impacts by including an indirect rate of 10%

2024 CDBG Funding Recommendations

Funding recommendations are made after an extensive risk assessment and based on the eligibility of the project, adherence to CDBG regulations, and alignment with Council CDBG priorities and goals within the Consolidated Plan. A Ranking Committee comprised of community members (including members of the Housing Commission) and staff reviews and ranks all proposals to inform staff recommendations.

Below is the CDBG estimated funding available and associated recommendations for the 2024 Annual Action Plan:

| 2024 <i>Estimated</i> Funding Available | |
|---|---------------------|
| Estimated PY 2024 Entitlement Allocation | \$535,000.00 |
| Program Income (PI) | \$142,000.00 |
| De-obligated funds from Prior Program Years | \$45,313.00 |
| | |
| Total Estimated Funding Available for Allocation | \$722,313.00 |

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 2024 equals \$126,062.60. To ensure compliance with HUD funding caps, the recommended allocation is rounded down to \$126,000.00.

Below are the 2024 funding recommendations for the Administration category:

| Administration and Indirect (20% Maximum) | |
|--|-------------|
| Grant Compliance and Administration | \$66,375.00 |
| City of Flagstaff Indirect - 10% | \$59,625.00 |

| | |
|--|----------------------|
| Total Administration and Indirect | \$126,000.00* |
|--|----------------------|

**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: \$94,546.95 for Program Year 2024. Staff recommends funding the highest ranking applications in full and leaving a small amount of unallocated funds as a contingency.

Below are the funding recommendations for the Public Service Category:

| Public Service Activities (15% Max) | Proposed Program | Requested Funding | Staff Recommendation | Ranking |
|--|----------------------------------|--------------------------|-----------------------------|----------------|
| Coconino County Health and Human Services | Senior Nutrition Program | \$44,200.00 | \$44,200.00 | 125.6 |
| Community Assistance Teams (CATS) of Flagstaff | Mobile Shower and Outreach Bus | \$50,000.00 | \$50,000.00 | 125.5 |
| Boys and Girls Club of Flagstaff | Childcare and School Break Camps | \$75,000.00 | \$0 | 107.19 |
| Total Public Service Allocation | | | \$94,200.00* | |

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

Housing Activity Funding Recommendation

After the above-recommended allocations, there is \$502,113.00 in CDBG funding available for Housing Activities. Staff recommends fully funding the only Housing application received, Community Assistance Teams of Flagstaff, and allocating the remaining funding to an internal Staff request made on behalf of Flagstaff Shelter Services for needs identified after the proposal deadline.

The below chart compares each project's 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.

Below are the funding recommendations for the Housing Category:

| Housing Activities | Proposed Project | Requested Funding | Staff Recommendation | Ranking |
|---|--|--------------------------|-----------------------------|----------------|
| Community Assistance Teams (CATS) of Flagstaff | Resource and Day Center - Property Acquisition | \$200,000.00 | \$200,000.00 | 111.6 |
| Staff Request on behalf of Flagstaff Shelter Services | Safety Improvements at The Lantern | Not Applicable | \$302,113.00 | Not Ranked |
| Total Housing Activity Allocation | | | \$502,113.00 | |

The chart below details the 2024 CDBG funding and allocation recommendations:

| 2024 CDBG Funding Allocation Recommendations | | | | |
|--|---------------------|---|--|---|
| Proposed Project/Program | Recommended Funding | Beneficiaries | Con Plan Activity | Con Plan 5-Year Goal |
| Community Assistance Teams of Flagstaff - Property Acquisition | \$200,000.00 | 500 Individuals | Neighborhood Facility Improvements Public Facility Improvements | 3,000 Individuals in a Target Neighborhood 100 individuals |
| Flagstaff Shelter Services - Safety Improvements at The Lantern | \$302,113.00 | 103 Shelter Beds/Units 400 Individuals | Increase Shelter Beds Public Facility Improvements | 15 Shelter Beds/Units 100 Individuals |
| Coconino County Health and Human Services - Senior Nutrition Program | \$44,200.00 | 120 Individuals | Services to Meet Basic Needs | 300 Individuals |
| Community Assistance Teams of Flagstaff - Mobile Shower and Outreach Bus | \$50,000.00 | 500 Individuals | Service and Facility Operating Support | 1,500 Individuals |
| Total Housing and Public Services Activities | | | \$596,313.00 | |
| Total Administration and Indirect | | | \$126,000.00 | |
| Total <i>Estimated</i> 2024 CDBG Allocation | | | \$722,313.00 | |
| Total Individuals Proposed to be Served in Program Year 2024 | | | 103 Shelter Beds/Units 1020 individuals (approx. 392 households) | |

Community Involvement:

Public participation 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 Housing Commission recommendations, these requirements 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 Meeting: Community Input on use of CDBG funding in target neighborhoods and Citywide - January 18, 2024**

- Display advertisement (January 9, 2024 – AZ Daily Sun)
- 1. Discussed the purpose and content of the Consolidated/Annual Action Plan
- 2. Received public comments 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, Planning, and PROSE departments, as applicable, regarding upcoming City projects in target areas.

Public Meeting: Presentation regarding Program Year 2024 Annual Action Plan and Notice of Funding Available - January 24, 2024

- Display advertisement (January 9, 11, and 16, 2024 – AZ Daily Sun)
- Meeting to discuss the CDBG proposal process and the Annual Action Plan
- 1. Discussed the purpose and content of the Consolidated Plan/Annual Action Plan
- 2. Received public comments 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 and accessibility of NOFA

Public Meeting: Public Comment on PY 2024 Annual Action Plan and Proposals Received - February 29, 2024

- Display advertisement (February 6 and 13, 2024 – AZ Daily Sun)
- Meeting to review the submitted proposals and allow public comment in preparation of funding recommendations and Annual Action Plan
- 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 - January 24, 2024
- Proposals due to the City of Flagstaff on February 26, 2024
- Proposal Ranking Committee with Citizen Participation and Staff on March 20, 2024

Public Comment Period for Draft documents posted on City of Flagstaff Housing Section Website: Annual Action Plan - March 5 – April 5, 2024

- Display advertisement (January 9, 11, and 16, 2024 – AZ Daily Sun)
- Display advertisement (February 6 and 13, 2024 – AZ Daily Sun)

Public Meeting: Presentation to City of Flagstaff Housing Commission - March 28, 2024

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

Public Meeting: City Council Work Session City Council Work Session – April 9, 2024

- Presentation and discussion with City Council regarding the 2024 Annual Action Plan
- Request for City Council input and direction
- Comments may be submitted by mail or email, or citizens may provide public comment at the meeting

Public Meeting: City Council Meeting – May 2, 2023

- Consideration and Approval of Resolution No. 2024-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 (approx. 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 January 24, 2024, public meeting and placed on the City website with a submission deadline of February 26, 2024. Advertisements were also placed in the Arizona Daily Sun, the City of Flagstaff Housing Section Newsletter, mailing list, and webpage as well as on Instagram and Facebook.

Attachments: [CDBG Council Presentation](#)
 [Summary of 2024 CDBG Proposals](#)
 [Resolution No. 2024-XX](#)