



Meeting Date: 04 / 25 / 06

ACTION	TYPE OF ITEM
<input type="checkbox"/> Approved Recommendation	<input type="checkbox"/> Info/Consent
<input type="checkbox"/> Ord. No(s). _____	<input checked="" type="checkbox"/> Report
<input type="checkbox"/> Res. No(s). _____	<input type="checkbox"/> Public Hearing (Info/consent)
<input type="checkbox"/> Other _____	<input type="checkbox"/> Other _____

Prepared By: Melissa Hetterer *Melissa* Agenda Item No. N-1
 Reviewed By: City Manager *[Signature]* City Attorney *[Signature]* Finance *[Signature]* Other (Specify) _____

DATE: April 7, 2006

TO: City Council
Community Development Commission
Housing Authority Commission

FROM: S.D. Gonzalez, Housing Director *[Signature]*
 Housing Department
 Curtis Cannon, Community Development Director *[Signature]*
 Community Development Department

SUBJECT: Housing and Community Development Legislative Program for FY 2006-2007

RECOMMENDATION

That City Council, the Community Development Commission, and the Housing Authority Board of Commissioners:

1. Support federal appropriations of at least \$4.178 billion to remain level with FY 06 funding for the Community Development Block Grant (CDBG) Program and \$1.917 billion for the HOME Program.
2. Oppose consolidation of three CDBG programs: Section 108 Loan Guarantee Program, the Brownfields Revitalization Program, and the Economic Development Initiative Grant Program; and any further set asides for the CDBG and HOME programs.
3. Support federal appropriations for the Youthbuild Program and oppose its transfer to the Department of Labor.
4. Support federal appropriations of at least \$1.536 billion for homeless assistance programs and oppose any set aside of funds.
5. Support federal appropriations of at least \$15.9 billion for Section 8 tenant-based rental assistance.
6. Support federal appropriations of at least \$3.5 billion for the public housing capital fund.
7. Support federal appropriations of at least \$4.35 billion for the public housing operating fund.
8. Support expansion of the public housing Graduate Incentive Bonus Program to enable the Oxnard Housing Authority (OHA) to compete for funds under the program.
9. Monitor federal immigration reform bills that might impact local housing conditions and provide periodic updates to City Council.

10. Support SB1024 and AB1783, and the inclusion of funding for affordable housing and the extension of housing programs originally funded under voter approved Proposition 46.
11. Support the inclusion of affordable housing funding in the \$220 billion Infrastructure Bond package of Governor Schwarzenegger.
12. Support AB 2763, which encourages greater use of relocatable housing for migrant farmworkers on agricultural land as an alternative to fixed housing structures.
13. Oppose AB2197, which would require all community development commissions to receive approval from their respective county board of supervisors for the adoption of redevelopment project areas, project area mergers and plan amendments.
14. Oppose AB2922, which would require community development commissions to set aside 50% of their tax increment revenues for low- and moderate-income housing, versus the required 20% under current California Redevelopment Law.
15. Oppose SB1206, which would greatly limit community development commissions ability to demonstrate the existence of blight by eliminating many qualifying criteria. Also places new restrictions on redevelopment bond financing.

DISCUSSION

The U.S. Congress and the California Legislature will be finalizing several budget, and housing and community development legislative bills that will impact the City. This report contains an assessment of those proposed actions and a recommended legislative response by the legislative bodies of the City.

Federal Budget Proposals

For the second year in a row, the proposed federal budget recommends drastic changes for the CDBG Program reducing funding for the program by nearly \$1 billion (-25%), from \$4.178 billion last year to \$3.032, making for the lowest level of funding for this program since 1990. The proposed FY 06 budget recommended eliminating CDBG along with 17 other federal community and economic development programs. These programs, which totaled approximately \$5.7 billion in FY 05, would have been replaced by a single new economic development to be administered by the Department of Commerce; funding for this new program was proposed at just \$3.7 billion.

Though the CDBG Program remains intact at the Department of Housing and Urban Development (HUD), the FY 07 budget is again calling for a consolidation of 3 major programs in CDBG: the Section 108 Loan Guarantee Program, the Brownfields Revitalization Program, and the Economic Development Initiative Grant Program. The practical effect of consolidation would be elimination of these three important programs. Only \$2.975 billion of the proposed \$3.032 billion is allotted for operating the CDBG program, and officials have indicated that \$200 million of the allotted amount will be set aside for competitive "challenge grants." After setting aside funding for the challenge grant program, only \$2.775 billion would remain for traditional CDBG formula grants (the amounts allocated to entitlement communities such as the City), a reduction of \$936 million over the final FY 06 level.

The City uses CDBG to tackle its most serious community development challenges, providing funding for public works and infrastructure, decent affordable housing, public services, and economic development. Because of its flexibility and use in a variety of projects, the City relies on the CDBG Program as a cornerstone of its community revitalization effort. As such, staff recommends Oxnard support efforts to retain adequate funding for this program.

The budget proposes to move the Youthbuild Program from HUD to the Department of Labor. Each year, youths who participate in the Youthbuild program receive classroom training, job skills development, and on-site training in a construction trade. Youthbuild Program participants use their newly acquired skills to rehabilitate and build housing for low-income and homeless people in their communities. Because the program is used to address housing needs of a community, staff believes that the program and the beneficiaries of the program would be better served if the program remains in HUD.

The HOME Program for building new affordable housing is increased by 9% to \$1.9 billion, with approximately \$1.804 billion available for formula grants. Set-asides under the account include a \$3 million transfer to the Working Capital Fund, \$10 million for HOME technical assistance and management information systems, and \$100 million for the American Dream Downpayment Initiative.

The budget proposes \$1.536 billion for Homeless Assistance Grants, a \$209 million increase over the FY 06 appropriated level. However, this increase includes a \$25 million transfer to the Department of Labor for a proposed faith-based prisoner re-entry initiative as well as \$200 million for the Samaritan Homeless Initiative, a program that has yet to be authorized by Congress. This leaves \$1.311 billion for the existing homeless programs, a reduction of \$16 million compared to the FY 2006 appropriated level. For this reason, though staff recommends support for the proposed increase to the Homeless Assistance Programs, staff recommends opposing the set-asides for the two new programs.

Overall, the budget request contains a 3.5% increase for the Section 8 Housing Choice Voucher Program. The budget recommends a total of \$15.9 billion for the program, including housing assistance payments (HAP) renewals, administrative fees, Family Self Sufficiency coordinators, tenant protect vouchers, and up to \$100 million set aside for additional rental subsidies for unforeseen exigencies.

The federal budget recommends a significant reduction for public housing programs. The budget proposes \$2.178 billion for the capital funds (including set-asides), which represents a \$269 million (-10.7%) decrease compared with the amount provided by Congress for FY 06. The Public Housing Operating Fund appears to be level funded at the FY 06 appropriated amount of \$3.564 billion. However, the National Association of Housing Redevelopment Officers and other industry groups estimate that the total Operating Fund need for FY 07 will be \$4.3 billion, resulting in an 81% housing proration at the proposed operating funding level. Therefore, staff recommends supporting federal appropriations of at least \$3.5 billion for the Public Housing Capital Fund and at least \$4.35 billion for the Public Housing Operating Fund.

Also, this year, the OHA would like to compete for funds allocated to the Graduation Incentive Bonus. The Graduation Incentive Bonus is a competitive grant to public housing authorities that can show their public housing residents are moving away from long-term dependence on housing assistance as evidenced by the proportion of households that leaves public housing and end their participation in assisted housing programs during a given calendar year, as well as the average length of stay among public housing residents. In the past, the OHA has not qualified to compete for this grant, partially because of the small amount of funds allocated to the grant, \$10 million. As such, staff recommends the support for the expansion of this program to enable the OHA to successfully compete for these funds.

Currently, Congress is considering an immigration reform bill which might impact local housing conditions. However, the legislation is in its early stages with two separate bills yet to be consolidated and reconciled into one bill. Staff recommends that the City separately monitor this legislation and provide City Council with periodic updates.

State Legislative Proposals

In 2002, voters in California approved a sweeping \$2.2 billion bond measure to support a variety of housing programs. Funding for voter-approved Proposition 46 is due to run out at the end of 2007, with some programs such as the Farmworker Housing Grant and the Local Housing Trust Fund Program already out of funds. Other major programs such as the Multifamily Housing Program (MHP), Supportive Housing, and the Emergency Housing Assistance Program (EHAP) are all due to run out of funds by the end of 2006. These programs and others have allowed for the development of thousands of affordable housing units, farm worker housing, downpayment grants, emergency shelters throughout the City; including the planned The Courts, 31-1 project which staff had hoped to secure a Farmworker Housing Grant and MHP funds. Such funding has been central to allowing the City to meet its Housing Element goals to provide safe, decent, and affordable housing. The loss of such funding would be a significant setback for the City by curtailing its ability to address the housing needs of the community.

Currently, there are three proposals to replace the funding for the programs funded under Proposition 46: SB 1024, AB1783, and Governor Schwarzenegger's proposal. All three proposals are intended to address the State's ailing and growing infrastructure needs. The first two proposals provide funding for housing programs. The Governor's bond proposal provides no funding for housing programs. While the City would likely benefit and support any one of these proposals, staff recommends support for the efforts to include funding for housing programs that at a minimum replaces the funding provided under Proposition 46.

AB 2783, introduced by Assemblymember Pedro Nava (D-Santa Barbara) would encourage greater use of relocatable housing for migrant farmworkers on agricultural land as an alternative to fixed housing structures by allowing temporary housing to be located on farmland. The legislation would allow relocatable housing to be defined as an agricultural land use, allowing temporary housing to be constructed on farmland not zoned for such use. The bill also imposes certain conditions on such housing, including penalties for failure to timely remove units at the conclusion of the harvesting period. The legislation does not require state funding in order to be implemented by not-for-profit or for-profit entities as third-party providers of the relocatable homes. The City, with its large farmworker population, shortage of affordable housing and limited labor camp capacity, would benefit from removing regulatory barriers for growers who do elect to provide housing for farm workers. Therefore, staff recommends support for this bill.

There are several state proposals aimed at adversely impacting California Redevelopment Law, and therefore the CDC's ability to cure economic and physical blight within the community. SB1206 seeks to eliminate many criteria used to define blight and places new restrictions on redevelopment bond financing. AB2197 as proposed would require all community development commissions to obtain County approval for redevelopment plan adoptions, amendments or mergers effectively giving one

local governing body veto power over another. AB2922 would increase affordable housing set a side requirements from 20% to 50% greatly reducing the CDC's ability to finance infrastructure upgrades, commercial revitalization, and economic development efforts. In the wake of the U.S. Supreme Court ruling on the Kelo condemnation case in Connecticut there are continuing efforts to qualify state ballot measures and enact legislation to reduce condemnation authority of CDC's statewide. Much of these efforts, at least for now, are aimed at eliminating residential condemnation authority. However these efforts could move quickly beyond residential property. It should be noted that the CDC consciously excluded residential condemnation authority from the Oxnard redevelopment project areas many years ago. Thus, staff recommends opposing these bills and efforts to eliminate commercial condemnation authority of the CDC.

FINANCIAL IMPACT

The adoption of the recommended legislative program will not have a financial impact upon the City, the Housing Authority, or the Community Development Commission.