

**OFFICE OF INDEPENDENT BUDGET ANALYST
CITY OF SAN DIEGO
M E M O R A N D U M**

No. 08-05

DATE: January 24, 2008

TO: Honorable Council President Peters and Members of the City Council

FROM: Andrea Tevlin, Independent Budget Analyst
Jeffrey Sturak, Fiscal & Policy Analyst

SUBJECT: Revisions to Council Policy 700-02 (Community Development Block Grant (CDBG) Program)

On Tuesday, January 29, 2008 the City Council will consider approving changes to the Fiscal Year 2009 Community Development Block Grant Program (CDBG) allocation process. These proposed changes are the first steps to addressing deficiencies outlined in recent Housing and Urban Development (HUD) Audits.

Since October 2007, a representative of the Office of the Independent Budget Analyst (IBA) has participated in an ad-hoc group that has been charged with reviewing the City's CDBG policies and practices. Attendees of this ad-hoc group have included representatives from Council Districts 1, 3, and 8, Auditor's Office, Comptrollers Office, San Diego Housing Commission, and the Mayor's Policy staff.

Historically, Community Development Block Grant funds have been used to fund multiple programs or services in the City's planning, Capital Improvements, Socials Services, and housing budgets. Unfortunately, as disclosed in recent Housing and Urban Development (HUD) Audits, many of these programs and services funded by CDBG do not meet one of the primary objectives which include:

1. Benefit to Low/Moderate Income Person
2. Elimination of Slum and Blight
3. Resolution of an urgent need (Alleviation of an existing condition which poses a serious and immediate threat to the health and welfare of the community, which are of recent origin, or which recently became urgent)

In addition, the HUD audits included concerns related to the City's overall management of the program. On January 9, 2008, staff presented to the Budget and Finance Committee seven recommendations for changes to the Fiscal Year 2009 CDBG process. At that meeting the committee members approved the recommendations to the CDBG process in concept but directed staff to make some changes that would better clarify the procedures and eligibility criteria. The changes that were requested by the Budget and Finance Committee members have

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been integrated into the draft ordinance presented for City Council consideration.

The Budget and Finance Committee also directed that the City's CDBG administrators provide to the City Council a comprehensive list of projects from the past one year that were determined to be ineligible by staff for CDBG funding. Additionally, the committee members requested a plan for how these projects will be funded in the future. Based on recent conversations with the CDBG administrators, they have stated that they are still in the process of compiling this information. This information should be available to the City Council in February.

Overall, the IBA supports the recommended changes to bring the CDBG program into compliance with HUD regulations and begin to move toward best practices. CDBG funds are very important to the City and have been used for multiple programs or services in the City's planning, Capital Improvements, Social Services, and housing budgets.